How Gas Drillers Rented Pennsylvania's Government

New MarcellusMoney.org Report Shows 2013-2014 Gas Contributions to PA Officials up 47%

A new study finds a 47% increase in campaign donations from the natural gas industry to Pennsylvania politicians in the 2013-2014 election cycle (over 2011-2012). Lobbying expenditures reached $17.9 million, up $2.1 million from the previous two-year cycle.

The updated report finds that the twenty gas companies with the greatest number of environmental violations in Pennsylvania (2,061 between 2011 and 2014) spent $12,920,714 on state lobbying and contributed $3,504,937 to Pennsylvania political candidates during the same period.

The full findings from Common Cause PA and Conservation Voters of PA are available at MarcellusMoney.org.

"The consistent high levels of gas industry investment in political contributions and lobbying should worry all Pennsylvanians," said Barry Kauffman of Common Cause PA. "These political investments were made for a purpose – to ensure the industry could hold sway over public policies and government officials, and perhaps do so in ways that are counter to the interests of Pennsylvanians. We need to know and understand how these campaign contributions affected public health, local and state government infrastructure, the environment, and perhaps even the economic wellbeing and civil rights of taxpayers and leaseholders."

Quick Facts:

- Natural gas campaign contributions (2013-2014): $2,819,109
- Total contributions (since 2007): $8,221,909
- Natural gas lobbying expenditures (2013-2014): $17,903,738
- Total lobbying (since 2007): $46,869,515

"In 2010, the gas industry bought our governor for $1 million and saved itself billions," said Josh McNeil of Conservation Voters of PA. "The drilling industry's influence pushed us down the wrong path, but the 2014 election showed that the voters still have the power to change the direction of this Commonwealth."

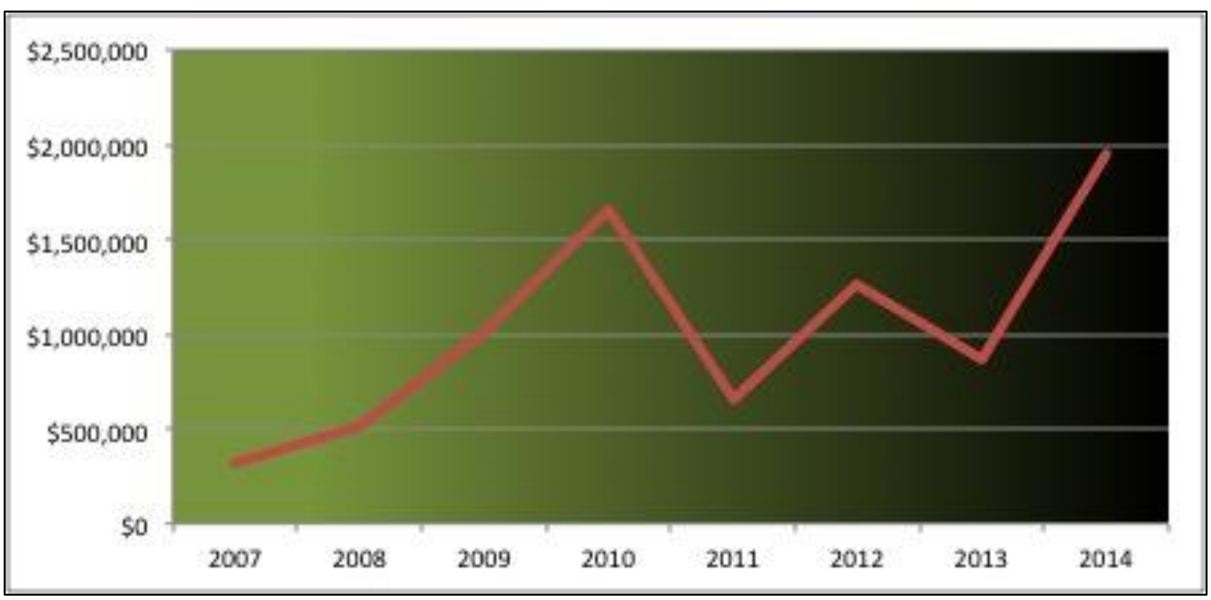
Campaign Contributions:
2007-2014 total: $8,221,909

The gas industry contributed $1,010,944 to Tom Corbett between 2007 and 2010. As Governor, Corbett cut back on environmental protection, overrode state regulators, and gave away Pennsylvania's resources. In 2012, he signed Act 13, which prevented severances taxes, muzzled health professionals, and interfered with local governments' right to regulate fracking. Between 2011 and 2014, industry contributions to Corbett and to the Republican Governors Association (RGA) increased to $1,671,544 (the RGA received $501,377 from PA gas drillers).

The industry contributed $59,500 to Governor Tom Wolf and $72,500 to Katie McGinty, now Wolf's Chief of Staff. Governor Wolf has proposed to strengthen the Chapter 78 regulations on oil and gas companies, hire more regulators, create a registry to track the health impacts of fracking, stop new drilling in state parks and forests, and impose a severance tax on drillers.

Meanwhile, the industry continued to contribute heavily to legislative leaders, members of the House and Senate Environmental Resources and Energy Committees, and pro-gas legislators such as Representative Brian Ellis, lead sponsor of Act 13, and Representative Jeff Pyle, who has led efforts to open the habitats of endangered species to drilling.

Contributions in 2013-2014 were focused on gubernatorial candidates, legislative leadership, and members of the House and Senate Environment Resources and Energy Committees.
Donations to 197 Republican candidates and PACs totaled $2,195,245.
Donations to 127 Democratic candidates and PACs totaled $519,814.



Campaign Contributions to PA state officials from gas industry executives and PACs

Top Executive Recipients in 2013-2014:
Governor Tom Corbett - $794,884
Republican Governors Association - $501,377
Governor Wolf's Chief of Staff Katie McGinty - $72,500
Governor Tom Wolf - $59,500

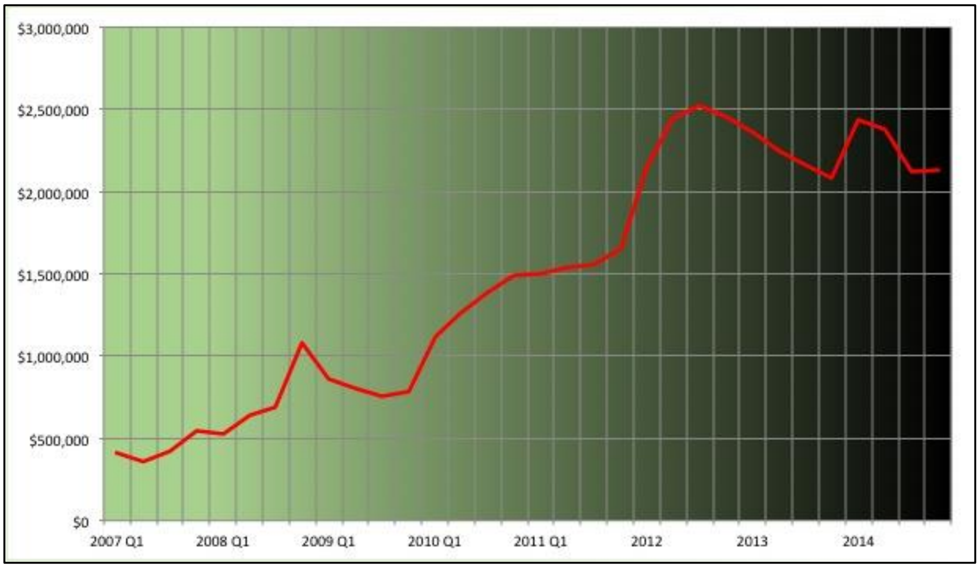
Top Legislative Recipients in 2013-2014:
Senate President Pro Tempore Joe Scarnati* - $101,788
House Majority Leader Dave Reed – Cosponsor of Act 13 - $81,250
Former Senator Tim Solobay – $63,192
Senate Minority Leader Jay Costa – $48,700
Representative Jeffrey Pyle* – $44,745
Former Senate Majority Leader Dominic Pileggi – $43,000
Senate Majority Leader Jake Corman – $40,750
House Speaker Mike Turzai – $27,500
Senator Don White* – $25,200
House Majority Caucus Administrator Brian Ellis – Cosponsor of Act 13 – $21,550
Senator Kim Ward* – $18,500
House Minority Leader Frank Dermody – $18,000
** Serves on House or Senate Environment Resources & Energy Committee*

Lobbying:
2007-2014 total: $46,869,515

Lobbying expenditures declined slightly to $9.1 million in 2014 from an all-time high of $9.6 million in 2012. The jump in 2012 spending likely reflected the efforts to pass and implement Act 13, but relatively stable levels in 2013 and 2014 demonstrate major ongoing attempts to influence policy.

Gas Industry Lobbying in Pennsylvania by year:

2007: $1,733,056
2008: $2,941,195
2009: $3,209,763
2010: $5,260,532
2011: $6,253,185
2012: $9,568,046
2013: $8,843,073
2014: $9,060,665



Gas industry lobbying expenditures in Pennsylvania by quarter.

"Since 2007, the natural gas industry has spent millions each year to influence Pennsylvania's elected officials," said Josh McNeil of Conservation Voters of PA. "That influence shows itself every day in weak regulations, underfunded environmental agencies, and ongoing threats to public health."

The Impacts of Industry Money

An industry does not spend tens of millions of dollars without an expectation of return on investment. Patterns of troubling behavior were seen across various government agencies and programs that were affected by gas drilling activities. As noted in prior Marcellus Money and *Deep Drilling Deep Pockets* [1] reports, the gas industry's campaign finance and lobbying efforts succeeded in both the legislative and regulatory spheres – from delaying the severance tax and securing access to public lands for drilling, to obtaining state preemption of local zoning and diminished regulatory oversight.

Subsidies

In addition to lobbying against a severance tax, the natural gas industry has also successfully campaigned for massive subsidies. According to the "Fossil Fuel Subsidy Report" issued by Penn Future,[2] subsidies and tax breaks to the fossil fuel industry reached $3.2 billion annually in Pennsylvania, or an amount roughly equal to 10% of the state budget. The report indicates these subsidies "divert limited resources to favored recipients based on political influence rather than need or economic merit."

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[1] MarcellusMoney.org
[2] PA Fossil Fuel Subsidy Report, Penn Future, April 14, 2015

Environmental Violations

A particularly disturbing trend indicates that many of the companies spending heavily to influence environmental regulations through lobbying and campaign contributions top the list of those regularly violating existing law.

The Environment America Research & Policy Center's January 2015 report on industry violations[3] identified the twenty gas companies most cited by the Department of Environmental Protection for violating non-administrative regulations.

Those companies were caught violating environmental regulations 2,061 times between 2011 and 2014 in Pennsylvania. During the same period, those companies spent $12,920,714 on state lobbying and contributed $2,133,875 to Pennsylvania political candidates.

	Violations		Lobbying		Campaign Gifts	
Company	**DEP Violations**	**Active Wells**	**Rank**	**2011-2014**	**Rank**	**2011-2014**
Cabot Oil and Gas	265	434	7	$575,913	11	$58,614
Chesapeake Appalachia	253	858	2	$1,566,293	5	$216,500
Range Resources Appalachia	174	891	1	$3,856,636	4	$242,985
Chief Oil and Gas	150	225	15	$105,612	2	$341,334
SWEPI LP (Shell)*	119	632	4	$1,249,373	17	$250
XTO Energy (Exxon Mobil)*	113	238	8	$467,366	7	$139,694
Exco Resouces PA	106	350	6	$697,323	16	$5,000
Anadarko E & P	92	364	10	$388,902	9	$60,500
Southwestern Energy	88	315	14	$140,318	18	$0
WPX Energy Appalachia	86	183	16	$0	18	$0
Seneca Resources (Ntn'l Fuel)*	85	239	13	$246,990	6	$176,450
Carrizo Marcellus	85	101	16	$0	15	$5,000
EQT Production	80	413	3	$1,540,235	3	$258,573
PA General Energy	80	156	12	$384,095	12	$51,900
Talisman Energy USA	65	511	9	$422,054	18	$0
Chevron Appalachia	63	582	11	$387,135	10	$59,050
Ultra Resources	52	56	16	$0	13	$7,500
EOG Resources	38	175	16	$0	14	$5,000
CNX Gas (Consol Energy)*	36	301	5	$892,469	1	$431,680
Snyder Brothers	31	94	16	$0	8	$73,845
Totals	**2,061**	**7,118**		**$12,920,714**		**$2,133,875**

[3] Fracking Failures Oil and Gas Industry Environmental Violations in Pennsylvania and What They Mean for the U.S., Environment America Research & Policy Center, January 3, 2015

* Figures combine lobbying and contributions from both subsidiary and parent corporations.

Environmental violations are crimes, and the Department of Environmental Protection's Oil and Gas Inspectors are the enforcers that prevent and investigate those crimes. At present, the DEP has identified more than 5,000 violations at 9,000 active unconventional gas wells, but the agency is so understaffed that thousands more may have gone unreported.

Pennsylvania's law enforcement agencies employ 30,000 police officers to investigate approximately 880,000 reported crimes each year – 29 investigations per officer.[4]
DEP employs 88 people to conduct 27,000 oil and gas well inspections each year – 307 investigations per inspector.

DEP's current staff has difficulty enforcing the law and protecting public health, and DEP has lost resources even as the industry it regulates grows. Solid waste from fracking companies grew 500% from 2011 to 2014. Liquid waste doubled in that time.[5] Meanwhile, the Governor and legislature cut the budget for the DEP by 28%, from $839,308,000 in 2010-2011 to $601,688,000 in 2013-2014.

Companies were fined approximately $2.6 million per year during this period for violations.[6] Had there been more enforcement and inspection of wells, many more violations might have been discovered and greater penalties imposed. There is no way to know how much the industry saved, or how much preventable pollution occurred, because of underfunded enforcement.

Lost Tax Revenue

For elected officials, perhaps one of the biggest selling points for bringing the fracking industry into Pennsylvania was claims of dramatically increased tax revenues for state and local governments. However, due to the industry's lobbying efforts and financial contributions to Governor Corbett and key legislators, Pennsylvania remains the only state with large scale drilling operations without a severance tax.

Instead, the industry supported Act 13, which created an impact fee on gas production. Since 2011, that fee has generated between $200 million and $300 million per year. A 5% severance tax would have generated between $600 and $800 million each year. The Pennsylvania Budget and Policy Center estimates that the state left a total of $1.2 billion on the table since 2011.[7]

Governor Corbett was the single biggest impediment to a severance tax. Despite budget shortfalls, public support, and acceptance by certain gas companies, Corbett fought the severance tax until he left office. The gas industry's $2,171,141 investment in Corbett saved it $1.2 billion, a 55,170% return on investment.

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[4] Pennsylvania Uniform Crime Reporting System: 2013 Annual Uniform Crime Report
[5] Wasting Away: Four states' failure to manage oil and gas waste in the Marcellus and Utica Shale, Earthworks, Nadia Steinzor & Bruce Baizel, April 2, 2015
[6] DEP fined oil and gas companies $2.5 million last year, State Impact, Laura Legere, February 27, 2014
[7] No matter how you figure it, PA Budget and Policy Center, Michael Wood, December 10, 2014

Public Health Concerns

The gas industry's lobbying influence impacts Pennsylvania's citizens in many other ways. The ubiquitous effect of their efforts allegedly even led to lax public health protections and downright dangerous healthcare restrictions. According to a *StateImpact Pennsylvania* report, Department of Health workers were "instructed not to return phone calls from residents who expressed health concerns about natural gas development" and were given a list of "buzzwords" and phrases that they were forbidden to use when discussing fracking with citizens. The state has not allocated any funding to the Department of Health to examine the health impacts of drilling.[8]

Doctors still are burdened by a gag rule that prohibits them from revealing the composition of fracking solutions, although recent court decisions have somewhat diminished its impact. The state is also still not required to notify Pennsylvanians with private water wells of potential drilling contamination.[9]

Community Infrastructure

Act 13, the top legislative victory for the drilling industry, attempted to give the state authority to pre-empt various local zoning laws that might interfere with well drilling. In December of 2013, the State Supreme Court said the law went too far, and, constitutionally, it could not strip local municipalities of their zoning authority on drilling activity.

While much has been written about the impacts fracking has on the environment and public health, less has been published about the impacts on roads and public safety. Citizens living in fracking zones complain about dramatic increases in heavy truck traffic and the Journal of Infrastructure Systems notes that many state and local roads were not designed to handle the constant pounding of this type of traffic.[10]

The Journal of Infrastructure Systems estimates that the "consumptive use costs of additional heavy truck traffic on Pennsylvania-maintained roadways from Marcellus Shale natural gas development … (is) about $13,000 to $23,000 per well for all state roadway types, or $5,000 -- $10,000 per well if state roads with the lowest traffic volumes are excluded." These are costs that will eventually be borne by Commonwealth taxpayers.[11]

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[8] Former state health employees silenced on drilling, State Impact, Katie Colaneri, June 19, 2014

[9] Court further limits reach of state's gas drilling law, Marc Levy, Associated Press, July 17, 2014

[10] Estimating the Consumptive Use Costs of Shale Natural Gas Extraction on Pennsylvania Roadways, S. Abramzon, C. Samaras, A. Curtright, A. Litovitz, and N. Burger; Journal of Infrastructure Systems, February 18, 2014

[11] Ibid.

Revolving Door

As noted in the *Deep Drilling, Deep Pockets* and *Marcellus Money* reports, the gas industry's tentacles reach deep into government. In fact, they may envelop government decision-makers with enticements for future employment. In the early days of the Marcellus Shale gas boom the Rendell administration saw several senior officials leave government posts to accept employment with the industry.

"K. Scott Roy, Rendell's executive deputy chief of staff, raised eyebrows when he went to work for Range Resources Corp. Roy was the chief liaison between the governor's office and the gas industry and environmental groups, and his hiring came soon after Rendell dropped efforts (in 2009) to enact a natural gas tax."[12]

Sara Battisti, a deputy chief of staff to Governor Ed Rendell, also swung through the revolving door to work in a "government affairs position" with BG group. According to Rendell's chief of staff at that time, Steven Crawford "One thing the industry appears to have at their ready disposal is money, so they're hiring lots of people to help with their lobbying or permitting problems."

The Marcellus Shale coalition (the industry's chief lobbying arm) created a position for Corbett's energy czar, Patrick Henderson.[13] While Henderson cannot legally lobby any state government agency over which he had any authority for one year, the Coalition hired him as the Director of Regulatory Affairs within one week of Corbett leaving office. Similarly, Corbett's former Secretary of Environmental Protection returned to the Blank Rome law firm where he leads the firm's energy industry team.[14]

Civil Rights

Vera Scroggins, The Gas Drilling Awareness Coalition and other anti-fracking activists received national attention when their civil rights were violated by overzealous law enforcement agents working in conjunction with gas industry officials. Gas drillers were upset that Scroggins was going onto or near land they had leased and was taking videos of their operations and posting them on YouTube.

For her offenses, the Cabot Oil and Gas Corporation obtained a sweeping court order banning the 63-year-old grandmother from a 312.5 square mile area of her home county (Susquehanna County, PA). This meant she could not go to her local hospital, restaurants, supermarkets, drug stores, animal shelter, or local amusement venues. One of the issues raised by the court order was whether it was the company, or the actual landowners, that had the right to seek the court order. The hearing was held after only 72 hours notice was provided. Cabot was represented

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[12] Rendell advisors getting jobs with shale gas firms, Philadelphia Inquirer, July 13, 2010
[13] Corbett's Top Energy Advisor Hired by Gas Industry, State Impact, Marie Cusick, January 23, 2015
[14] BlankRome.com

by four lawyers. Scroggins had to represent herself due to the short notice. For her appeals, she even had to map out a route to the courthouse that ensured she would not trespass on any Cabot leased roads.[15]

Will Bunch, a *Philadelphia Daily News* columnist, wrote of the Scroggins affair "I'm not sure what's more disturbing here – the free speech issues, or the fact that Big Gas seems to own the legal system and political infrastructure in some of these smaller Pennsylvania counties." [16]

Industry influence reaches beyond the courts and into law enforcement agencies. *StateImpact* reports that there is a broad "intelligence-sharing network between law enforcement and the gas industry" called the Marcellus Shale Operators' Crime Committee, that "allows the industry to swap information with local, state, and federal law enforcement about activists, protests and potential threats."[17]

Conclusion

The impact of the gas industry's political spending is far reaching. It spreads throughout the Commonwealth, deep into government, affecting Pennsylvania's infrastructure, tax policies, allocation of resources, environment, citizens' health, and citizens' civil rights. This demonstrates the true power of political money – and what can occur when that money is not fully disclosed or appropriately regulated. Pennsylvania remains one of 11 states that still has no law limiting campaign contributions, and is one of only 10 state that has no law limiting lobbyist gifts to public officials. Pennsylvania must restore balance to its political system. The commonwealth needs to enact:

- Campaign contribution limits for all political campaigns.
- Comprehensive disclosure of all "independent expenditures" in political campaigns.
- Corporate accountability standards requiring companies to obtain shareholder permission before making expenditures to influence political campaigns.
- Public financing of judicial campaigns, or merit selection of judges, to ensure that large corporate donors cannot inappropriately influence the judges they appear before in court.
- A prohibition on lobbyists, government contractors, regulated industries, and other seeking to influence government decisions from giving gifts, travel, or hospitality to any public official or public employee.
- Tighter controls on the revolving door between government service and private sector companies poised to benefit from the decisions of those government employees they hire.
- Major upgrades to the Commonwealth's public data systems to make them more user-friendly and fully searchable.

[15] The anti-fracking activist barred from 312 sq miles of Pennsylvania, Suzanne Goldenburg, The Guardian, January 29, 2014.)
[16] You are not free to move around the country, Will Bunch, Philadelphia Daily News, March 10, 2014.
[17] In fracking hotspots, police and gas industry share intelligence on activists, Marie Cusick, StateImpact PA, February 2, 2015.)

Methodology

Sources

The Marcellus Money database was built using the Pennsylvania Department of State's "full campaign finance export" file system. All contributions under $100 were ignored, as were all duplicate entries (a contribution of the same amount, on the same day, by the same contributor). Datasets include 2007 Cycle 1 through 2014 Cycle 7 (view the 2014 report filing deadlines and "Cycle" explanations). To learn more about FilerIDs listed in the datasheet, visit PA Department of State's "Registered Committee List" and click "basic search" to enter a FilerID. Lobbying information came from the Pennsylvania Lobbying Services database, which begins in 2007.

The updated database and report released April 30, 2015 reflect the addition of data from 2014 Cycles 6 and 7.

Standardization

Entries were stripped of capitalization, non-essential punctuation and additional information (such as street, avenue, etc.) to facilitate matching and to overcome issues inherent in the performance of the Department of State's third-party electronic input service. This service continues to be used so that some committees may still file by paper. In part because of this, the database is rife with misspellings, incorrect "filer IDs," and missing entries.

Because of this standardization, the datasheet available for download contains both the "original" DoS entries as well as the "standardized" versions of these entries. In addition, some column entries were created new and not based on DoS data so as to standardize information such as recipient (since the same candidate may have multiple FilerIDs associated with their multiple committees). The first tab ("ReadMe") in the datasheet explains the columns.

Identifying industry interests

Industry interests were identified using 1) the Pennsylvania Department of Environmental Protection's Oil & Gas Reporting database, which names the entities that operate current and completed Marcellus shale wells in the state, 2) the U.S. Department of Transportation's National Pipeline Mapping System, which names the operators of natural gas pipelines in Pennsylvania, and 3) extensive newspaper and business journal research about who holds Pennsylvania Marcellus shale acreage and the complex relationship inherent in industry joint ventures. Additionally, industry subsidiaries for publicly traded companies were identified using the SEC's online EDGAR system to access 10-K: Exhibit 21.

The Marcellus Money database considers natural gas industry interests to be those that own or operate natural gas wells or exploration and production operations (upstream) and/or natural gas transmission pipelines in Pennsylvania (midstream). Entities that are purely distribution (downstream) are not included in this analysis. Additionally, the trade groups Marcellus Shale

Coalition and Pennsylvania Independent Oil and Gas Association are included because of their stated interests and efforts.

Identifying industry employees

Efforts were made to include only contributions made by industry executives and other high-ranking employees. When this was unclear, we chose to not include contributions made by employees whose position could not be ascertained and whose contribution amounts were low.

Employees were identified using both their contributions to industry PACs (such as John A. Smith contributing every year, in the same amount, to the fictional ABC Natural Gas Company PAC) and their self-identified employer field. While this field is required, for the same individual it was often present in some contributions and missing in others. If it was clear that the person no longer worked for the industry or had not begun employment until a specific time, those contributions were not included. Personal addresses were used to match contributions made by the same person over time.