

RESTORE PENNSYLVANIA

Governor Wolf's vision for Pennsylvania includes vibrant towns and cities with new development, opportunities in rural and disadvantaged areas, and a modern, interconnected commonwealth.

Unfortunately, after decades of neglect and disinvestment, Pennsylvania is falling behind. More than 800,000 Pennsylvanians do not have access to high speed internet. Heavy rains throughout 2018 demonstrated vividly and tragically that our flood mitigation planning and infrastructure has not kept up, leaving communities and individuals throughout the state with massive cleanup costs, and few options to turn to for assistance. Our third-class cities, towns, and boroughs face blight problems that lower property values, limit new development opportunities, and discourage private investment. Businesses looking to relocate or expand in Pennsylvania struggle to find pad-ready sites to quickly build out new locations. Pennsylvania is not well positioned to take advantage of the manufacturing opportunities created by natural gas. Across the state, too many residents are impacted by contaminants from industries of the past. Many Pennsylvanians live in homes with legacy contamination issues such as lead, while others are learning of risks from recently identified contamination such as PFAS and PFOA.

It is time to make sure Pennsylvania is a leader in the 21st century. We need to position all of our communities for success. We need to connect every Pennsylvanian to high speed internet, whether you live in Sullivan County or North Philadelphia. We need to protect communities from severe flooding and other natural disasters. We need to rebuild our neighborhoods and eliminate blighted homes and vacant industrial sites so we can build new manufacturing facilities and businesses. We need to position Pennsylvania to take advantage of the natural gas beneath our feet, so that we build the next generation of advanced manufacturers right here in order to use our natural resources, not just ship them out of state. We need to provide these manufacturers and businesses the support they need to become more energy efficient and competitive.

To achieve these goals, Governor Wolf is announcing a major new infrastructure initiative, RESTORE PENNSYLVANIA, funded by the monetization of a commonsense severance tax. RESTORE PENNSYLVANIA will invest \$4.5 billion over the next four-years in significant, high-impact projects throughout the commonwealth to help catapult Pennsylvania ahead of every state in the country in terms of technology, development, and infrastructure.

Encompassing new and expanded programs to address five priority infrastructure areas outlined below, RESTORE PENNSYLVANIA projects will be driven by local input about local needs. Projects identified by local stakeholders will be evaluated through a competitive process to ensure that high priority, high impact projects are funded and needs across Pennsylvania are met.

High Speed Internet Access

We increasingly live in a knowledge-driven economy, making access to high-speed internet essential to our daily lives and economy. Over 800,000 Pennsylvanians lack access to robust, reliable, high-speed internet. Over 520,000 of residents without access reside in rural areas and while another 250,000 reside in urban areas. Lack of quality internet access means businesses are not able to market themselves and conduct business online, our children miss out on learning opportunities, and health care facilities cannot share information with specialists. According to Windstream Communications,

building a new fiber line can cost up to \$50,000 a mile. Pennsylvania must make a significant investment in high speed internet infrastructure to connect every corner of the commonwealth.

Connecting Pennsylvanians to high speed internet is the most meaningful rural economic development initiative we can undertake today, and succeeding will require a significant investment from the commonwealth as well as partnerships with the federal government and stakeholders. Although there has been recent progress, like the commonwealth providing a \$1.5 million grant to help connect 1,400 Tri-County Rural Electric Cooperative members, it is clear that we need a massive investment to make sure all Pennsylvanians are benefiting from advancements in technology. Additional investments by the state will help leverage available federal funding as well as significant private dollars.

RESTORE PENNSYLVANIA will provide funding to completely bridge the digital divide in every community in Pennsylvania, making Pennsylvania a better place to work, do business, and live. Grants will be available to support installation of infrastructure to bring high speed internet to every corner of the commonwealth. Funding will support every phase of the process from feasibility testing to connection.

Storm Preparedness and Disaster Recovery

Critical Flood Control Infrastructure

Last year was the wettest year on record in Pennsylvania, and modelling suggests that increased rain will continue. Communities across the state were impacted by record-breaking rainfall, flash flooding and river flooding across the state, from Philadelphia in the east and Allegheny County in the west to Bradford and Columbia in the north and widespread devastation in Schuylkill, Lebanon, York and Lancaster Counties in Central Pennsylvania, among others. A single storm in early August created more than \$60 million in damage to transportation infrastructure alone in the middle of the state. The devastation these natural disasters leave in their wake demonstrate all too clearly that Pennsylvania's legacy infrastructure needs to be updated to handle changing weather and new development.

Many needed projects involve streambank restoration to restore flow and prevent future erosion. Other projects will be for floodplain restoration, which allows stormwater to spread out and slow down, so it can be absorbed into the groundwater, rather than flooding over streambanks. Additional critical flood control infrastructure includes dams, levees and flood walls.

RESTORE PENNSYLVANIA will provide funding for flood prevention that will protect against severe weather and save homes and businesses in flood prone areas across the state. RESTORE PENNSYLVANIA will provide funding to help towns and cities prepare for flooding and severe weather, upgrade flood walls and levees, replace high-hazard dams, and conduct stream restoration and maintenance.

Helping Families Rebuild

In the aftermath of severe storms and other disasters, homeowners who have in some cases lost everything need immediate assistance to begin to put their lives back together. While Federal Emergency Management Agency (FEMA) funding is available to assist property owners recovering from events that have been declared a Major Disaster, and funding is available from the U.S. Small Business Administration (SBA) for some smaller events, there is currently very limited help available for Pennsylvanians who experience catastrophic losses due to localized flooding or other severe weather events that were not declared a Major Disaster by the federal government.

RESTORE PENNSYLVANIA will establish a disaster relief trust fund to assist individuals who suffer losses that are not compensated by FEMA or other programs.

Stormwater Infrastructure

Across Pennsylvania, communities large and small are struggling to implement new federal requirements that they manage stormwater to prevent pollution from flowing into local streams and rivers. Nearly a thousand communities with municipal separate storm sewer systems (MS4) are currently preparing to implement a Pollutant Reduction Plan to reduce discharges from their storm sewers into local waterways. While funding this new infrastructure is a challenge, it is also an opportunity to create local jobs to construct and maintain green infrastructure that captures stormwater where it falls while also beautifying downtowns with rain gardens, parks, and streetscape improvements.

RESTORE PENNSYLVANIA will provide grants to municipalities moving forward with Pollutant Reduction Plans to help them implement creative solutions to comply with their stormwater mandates and transform their communities. Additional state funding will reduce the need for new stormwater fees, which have proven unpopular where they have been proposed. Additional incentives will be provided for communities that are working collaboratively with their neighbors to tackle the problem in the most efficient manner possible.

Downstream Manufacturing, Business Development, and Energy Infrastructure

Pennsylvania has always been an energy powerhouse. Our coal fueled the industrial revolution, our power plants keep lights on throughout the northeast. Over the past decade, Pennsylvania has emerged as a leading state in production of clean burning natural gas, and we currently outproduce every state but Texas. The first decade of development has seen a rush to build wells and pipelines to take gas to markets where it can be used. In the second decade, we need to focus on making sure we capture the benefits of this prolific resource in Pennsylvania to spur manufacturing and drive job creation in downstream industries.

Royal Dutch Shell is currently undertaking the largest development project that this commonwealth has ever seen in Beaver County northwest of Pittsburgh. This is the first major project of its kind in the United States built away from the Gulf Coast region in a generation. When this ethane cracker plant opens early in the 2020s, it will produce millions of pounds of plastic pellets, the building blocks for everything from water bottles to airplane parts. To realize the full potential of this massive investment, Pennsylvania needs to seize the opportunity to jump start advanced manufacturing facilities that will take the building blocks, and turn them into high value products, employing Pennsylvanians with well paid, family supporting jobs.

To prepare for this opportunity and assist existing manufacturers and businesses across the state to take advantage of the benefits of locally-produced natural gas to lower costs, reduce emissions, and power an advanced industrial revolution in Pennsylvania, RESTORE PENNSYLVANIA will provide funding for infrastructure that helps build manufacturing facilities and other downstream businesses for the natural gas produced in Pennsylvania while helping businesses and individuals use more of Pennsylvania's natural gas in their homes, creating jobs, lowering costs, and improving energy efficiency.

Downstream Manufacturing: Pad Development, Business Development, Site Selection, and Energy Efficiency

When businesses are looking to relocate or expand, they need move-in ready sites. Especially for larger manufacturers and company headquarters, pad development can be prohibitively expensive. Pennsylvania is a prime location for businesses, and we can make it easier for businesses to move and grow in the commonwealth.

RESTORE PENNSYLVANIA will provide funding to develop pad-ready locations in prime locations and areas ripe for development with an emphasis on downstream manufacturers and support for businesses. This funding will expand the extremely successful Business in Our Sites program which empowers communities and economic development partners to attract expanding businesses by building an inventory of ready sites. Approved projects can use the funding for any site development activities required to make the site shovel-ready. Sites can be previously utilized property or undeveloped property that is planned and zoned for development including former or underutilized industrial, commercial, military, mining, railroad, or institutional sites or buildings.

Getting Natural Gas to Businesses

While we encourage business growth and downstream manufacturing, we also need to make sure that these facilities can become more energy efficient and competitive by tapping into Pennsylvania's natural gas resources. Manufacturing and industrial businesses that convert to natural gas from other energy sources can save 50% or more in their energy costs. As these costs are frequently one of the largest for energy intensive manufacturers and industrial companies, upgrading from traditional energy sources to high efficiency combined heat and power systems can significantly improve companies' bottom lines and make Pennsylvania companies more competitive. When combined with micro-grids, these systems can help manufacturers be resilient and self-sufficient.

Since 2016, the Department of Community and Economic Development's Pipeline Investment Program has provided funding to construct the last few miles of natural gas utility lines to serve business parks, existing manufacturing and industrial enterprises. The goal of this program is to spur the creation of new jobs in the commonwealth while providing access to utility service for residents and businesses. Eligible applicants include businesses, economic development organizations, hospitals, municipalities, and school districts.

RESTORE PENNSYLVANIA will provide increased spending flexibility to ensure that more communities and businesses across the state have access to low-cost, clean-burning natural gas. RESTORE PENNSYLVANIA will also provide grants to help downstream businesses install combined heat and power and micro-grid systems at existing or new facilities.

Demolition, Revitalization, and Renewal

Blight Demolition and Redevelopment

Pennsylvania is a historic state with legacy infrastructure and hundreds of thousands of blighted buildings – industrial, commercial, and residential. Blight hurts communities in many ways. It poses serious health and safety threats, costs local governments for enforcement and maintenance, reduces

property values and tax revenue, and makes communities less attractive for investment. In former industrial hubs, long abandoned buildings can prevent the consolidation and development of parcels for reuse in advanced manufacturing. In third class cities like Reading, Johnstown, Erie, and many others that lost population over the last half century but are poised for a comeback, blighted properties slow the turnaround.

The legislature has taken important steps to speed the process for getting a blighted building back on the tax rolls. Leaders like Senators Pat Stefano and David Argall have helped expand Pennsylvania's response to blight. However, there are still an estimated 300,000 blighted structures in Pennsylvania. Pennsylvania needs funding for planning, demolition, remediation, and redevelopment of blight to build on the legislature's efforts.

RESTORE PENNSYLVANIA will increase resources for addressing blight by providing financial resources at the local level to establish land banks and acquire and demolish blighted buildings in order to create new development opportunities or provide new green space. The funding will be administered by entities established by the legislature as land banks or demolition funds.

Brownfield Clean-Up

In communities across the state, underutilized and abandoned former industrial and commercial sites sit waiting for cleanup to unlock their potential as a catalyst for new manufacturing and economic development. Frequently these sites have existing infrastructure, historic buildings and close proximity to transportation that make them attractive locations for redevelopment and reuse. Revitalizing these locations improves the health and quality of life of our citizens and injects much-needed revenue into our local communities by returning once lifeless properties to the tax rolls.

Pennsylvania's land recycling program has long been lauded as a national model for the successful cleanup of brownfields, with over 6,000 sites having been successfully cleaned up and returned to productive use. With the long-anticipated phase out of the Capital Stock and Franchise Tax in 2016, which helped fund the program, there is now a need to identify funding to ensure that this critical work can continue.

RESTORE PENNSYLVANIA will provide funding to ensure the continuation of Pennsylvania's Brownfields program, ensuring that more sites can be returned to use for recreation, or returned to the tax rolls as commercial, residential, or industrial sites.

Contaminant Remediation

In addition to remaining brownfields, many residential homes and neighborhoods still face issues with contaminants like lead and Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS).

Studies continue to find elevated lead levels in blood tests of Pennsylvania's youngest residents, a result of Pennsylvania's older housing stock, 70 percent of which was built before the 1978 ban on lead paint. Long-term exposure to lead paint can have devastating developmental consequences including lowered-IQ, memory problems, and other neurological and behavioral effects. To help prevent the ongoing exposure of Pennsylvania's most vulnerable populations, we must redouble our level of effort to remediate lead paint from homes throughout the commonwealth.

There have also been recent discoveries of PFAS contaminants in numerous communities across the commonwealth, threatening the safety of residents' drinking water. The cleanup costs associated with addressing these chemicals can be significant, and without the Hazardous Sites Cleanup Fund there are few funding options available at the state level.

RESTORE PENNSYLVANIA will fund expanded efforts to remove lead and other contaminants from communities.

Green Infrastructure

Pennsylvania has long recognized the need to invest to protect open space, address maintenance needs in state parks, preserve working farms, clean up abandoned mines and restore watersheds, provide funds for recreational trails and local parks, help communities address land use, and provide new and upgraded water and sewer systems. These projects help create prosperous and sustainable communities, protect the environment, add quality of life value that attracts jobs, contribute to Pennsylvania's outdoor recreation and tourism industries, and improve public health.

Moreover, the outdoor recreational opportunities provided by our state's network of parks, trails, greenways, riverfronts and other open spaces are increasingly cited as an important factor in where residents decide to live and work, creating a major incentive to invest in creating these opportunities as a strategy to attract and retain the workforce that will power Pennsylvania's economy tomorrow.

However, significant need continues to exist. Over 19,000 miles of streams and rivers do not meet federal and state water quality standards. Nearly 200,000 acres of abandoned mine land remain across 43 Pennsylvania counties. More than 2,000 working farms remain on county waiting lists to be preserved. Over 200,000 orphaned and abandoned wells pollute our landscape. There is a significant backlog of needed infrastructure work to fix deteriorating buildings, water and sewer treatment systems and trails and roads in the state parks and state forests. The legislature in recent sessions has recognized the need to continue the success of prior initiatives to address these ongoing issues, but no consensus on a new source of funding has emerged.

RESTORE PENNSYLVANIA will provide significant new funding to enable new environmental projects and new recreational opportunities across the state, including infrastructure and maintenance in state parks, creation and revitalization of new local parks, and funding for new hiking, biking and ATV trail projects.

Transportation Capital Projects

Pennsylvania has roughly as many state-maintained road miles as New England, New York, and New Jersey combined and keeping our large system in a state of good repair requires continued investment. The American Society of Engineers' 2018 "infrastructure report card" gives Pennsylvania a D+ rating for the quality of its roads and bridges and a D for transit. A safe and reliable transportation network is essential for Pennsylvania residents, businesses, and visitors and improving and maintaining this extensive multimodal system requires stable, sufficient funding.

Increased opportunities for reliable modes of transportation help increase opportunities for employment, expand travel options for students looking for educational opportunities, and increase

options to explore Pennsylvania's tourism destinations, all of which will garner increased economic impacts for every industry, community, and Pennsylvania resident.

Now is the time to formulate the strategic vision so we are prepared to seize on the opportunities ahead – another Amazon-like employer, transportation technology opportunities, and economic development opportunities, such as transit-oriented development

RESTORE PENNSYLVANIA will provide funding for local road upgrades, create new flexible funding options for businesses that need local infrastructure upgrades to enable development projects, and multimodal and large-scale capital projects for transit.

PA Back Roads

With more than 120,000 miles of state and local highways, Pennsylvania has one of the largest transportation networks in the country. This sprawling network requires continuous investment to maintain, and needs are particularly pressing for the “four digit” state routes, many of which have not received attention for too long.

In addition, Pennsylvania has more than 25,000 miles of unpaved roads, about 17,500 of which are owned by local municipalities and provide access for the state's agriculture, mining, forestry, and tourism industry as well as more than 3.6 million residents. Maintenance needs for these roads have been significantly exacerbated by heavy rain throughout 2018, which created over \$125 million in floods and significant slide damage to state-maintained roads and bridges. PennDOT's Engineering District 11 in the Pittsburgh area alone is working to address damage from over 80 active landslides, including many roads that have been reduced to one lane or closed altogether. Conservation Districts across the state that administer Dirt, Gravel and Low Volume Road Programs are facing increased need caused by unprecedented rainfall.

RESTORE PENNSYLVANIA will accelerate progress of projects to resurface, repave and repair four-digit roads and provide technical assistance and funding for dirt and gravel roads throughout the state.

Business OnRamp

When businesses look to expand, they frequently need transportation infrastructure upgrades to support the increased flow of traffic associated with the expansion. While the state is sometimes able to leverage our allocation of federal Transportation Infrastructure Investment Funds (TIIF), these funds come with restrictions and red-tape that prevent them from being utilized for important projects, such as where the roads surrounding the expanding facility are locally owned.

RESTORE PENNSYLVANIA will create a flexible funding tool to enable capacity upgrades needed to support development where TIIF funding is not available.

Public Transit System Projects

Throughout the state transit systems large and small are struggling to provide upgrades required to meet the shifting needs of residents, commuters, and visitors. In some instances, transit systems were built out decades ago and have not yet caught up with the needs of shifting populations. Elsewhere rural transit systems have difficulty funding needs ranging from new bus shelters to maintenance facilities for

vehicles through farebox revenues alone. In numerous communities, high priority expansion projects have been studied extensively and are ready to move forward. In many others, applications for infrastructure upgrades are waiting for funding to become available.

RESTORE PENNSYLVANIA will support new capital projects at public transit capitol projects throughout the state.

PRICE BASED SEVERANCE TAX PROPOSAL

To enable the RESTORE PENNSYLVANIA plan, Governor Wolf is proposing a reasonable severance tax which will be leveraged to provide immediate benefits across Pennsylvania.

Pennsylvania remains the only gas-producing state in the country without a severance tax. With every passing year our state—the second leading producer of natural gas in the country—is losing out on the opportunity to reinvest the benefits of these resources to stimulate our economy and move Pennsylvania forward.

The proposed severance tax will be price sensitive to the natural gas sector. As producer profitability increases due to rising natural gas prices, the severance tax rate will increase as well. The following chart outlines the price-based tax structure:

Natural Gas Price Range	Tax Per Thousand Cubic Feet
\$0.01-\$2.99	\$0.091
\$3.00-\$4.99	\$0.109
\$5.00-\$5.99	\$0.131
\$6.00 or more	\$0.157

The severance tax will not make any change to the natural gas impact fee. The impact fee has assisted local communities where natural gas is extracted to invest in infrastructure, their economies, and the health and safety of residents.

The price-based severance tax will result in the following effective rates, which are in line with other major natural gas producing states including Texas:

2019/20	2020/21	2021/22	2022/23	2023/24
4.5%	4.5%	3.8%	3.4%	3.0%

The severance tax will only apply to wells that are subject to the impact fee. The following exemptions will be allowed:

- Natural gas provided to a lessor for no consideration.
- Natural gas severed from a storage field.
- Natural gas severed, sold and delivered by a producer at or within five miles of the producing site for the processing or manufacture of tangible personal property.

The tax will be effective March 1, 2020.