

**Testimony of Sheri R. Collins, Acting Executive Director of the
Governor's Office of Broadband Initiatives**

Communications & Technology Committee – Wednesday, August 7, 2019

Good morning, Chairwoman Phillips-Hill, Chairman Santarsiero, and members of the Senate Communications & Technology Committee. Thank you for having me here today to discuss what I believe is one of the most important infrastructure issues of our time.

After having served as the Deputy Secretary for the Office of Technology & Innovation at the Department of Community and Economic Development for four years, I stepped into this role to focus 100% of my time on Pennsylvania's broadband infrastructure issues. It is reported that approximately 800,000 people do not have access to high-speed internet, as defined by the Federal Communications Commission (FCC).

For the past eight months, I have traveled across Pennsylvania to meet with our citizens, businesses, emergency service providers, educators, students and others who are negatively impacted by our broadband infrastructure issues. While the communities are different, the stories are the same. People across Pennsylvania are becoming increasingly frustrated by the fact that they do not have access to high-speed internet in the 21st century. And, frankly, some are convinced that these long-standing issues will never be fixed.

High-speed internet is no longer a luxury but a necessity. For Pennsylvania to remain competitive in today's global economy, we need to ensure that our infrastructure is robust, secure, affordable and accessible. High-speed internet has become deeply ingrained in our lives. A lot of how we work, live and play is contingent upon having access to the internet. From the time we get up in the morning until the time we go to bed at night, most of us utilize technology throughout our day. From checking work email to connecting with our loved ones to placing an online order from your favorite e-commerce store, we use the internet. The internet is used to research, gain knowledge and expand our horizons. As the mother of a soon to be 5th grader, I cannot fathom loading my son, Layton, in the car after an already long day of work and school and driving him to the local library or school parking lot to do his homework. Yet across Pennsylvania we have families who do this on a regular basis. My son has been online multiple times to work on a summer packet given to him by his teacher and to assist him as he heads to 5th grade. I can't help but think about the group of students I met at Tri-Valley School District in Schuylkill County who shared with me that they have no internet at home and that the only access they have is during the school day. This isn't right. It's difficult to imagine and yet it is happening every day.

Modern society and the global economy demand the ability to connect quickly with one another. Long gone are the days when dial up is acceptable. Long gone are the days when businesses can wait 10 hours for content to be uploaded. And long gone are the days when students used textbooks alone to learn. We are connected now more than ever – and as the world changes, the need to be connected will continue to grow.

It's no secret that businesses need access to high-speed internet to compete. They utilize the internet for a wide range of tasks and the speed of the connection will ultimately determine the quality of service and range of capabilities. During a recent press conference at the Capitol Media Center, Todd

Wolfenberg, the CEO of Honesdale-based Yoga International, shared his concerns about the lack of high-speed internet and its impact on tech companies such as his. Todd expressed that “fast-growth, digitally-native businesses like ours are extremely dependent on broadband internet. Those businesses can only grow and recruit top talent if high-speed internet is readily available.” I have a dozen CEOs who would be willing to testify to the need of high-speed internet and the impact it has not only on their business but on their employees. For the past few years we have seen a shift in the way people work. The distributed workforce model is becoming increasingly more popular as people are afforded the opportunity to work from home, regardless of where they live. One can live in Williamsport, Pennsylvania and work for a California-based company making family-sustaining wages. But if that employee can’t maintain the connection needed to do his or her job consistent with the company’s policy, the likelihood of them maintaining that position is nil.

Earlier this year I met with Adams Regional Emergency Medical Services Lieutenant Mark Shaeffer and learned about some of the challenges facing our first responders in rural areas of our commonwealth. Not only is access to high-speed internet required for the transmission of life-saving information from an ambulance to a medical center, it is important for purposes of training and continuing education for those EMS providers. Pennsylvania is among the states that offer an online option for all required continuing education but taking advantage of that option isn’t possible for those who are not able to complete their educational requirements simply because of the lack of high-speed internet.

I could give you example after example of how the lack of access to high-speed internet hampers our businesses, people and industries. I suspect some of you have heard similar stories and know all too well the challenges we face. Every one of us utilizes technology during our day and that need will only continue to grow.

Right now, we’re at an inflection point. We know there is only so much our service providers are capable of and willing to do without some form of financial support. We also know that costs to build networks are expensive and that the maintenance thereof is equally as expensive. In some locations, Pennsylvania’s topography poses its own set of challenges, limiting the industry’s ability to respond to the demand for services. The challenges, while plentiful, can be addressed – but we need to be aggressive in our approach and tackle them now before the issue continues to grow.

Currently, the commonwealth does not have a dedicated source of capital to address our broadband infrastructure issues. Earlier this year, Governor Wolf announced Restore Pennsylvania as a way in which to address our most critical infrastructure issues, including broadband. The legislation proposes \$4.5 billion dollars, raised through a commonsense severance tax, to help communities remediate blight, expand broadband access in rural areas, increase flood protection, improve our transportation and green infrastructure, and remediate contaminants in our water sources and our brownfield sites. Despite the challenges we face, we can agree that these are significant issues that need to be addressed. We can no longer kick this issue down the road for the next generation to address it.

As is often the case, the challenge we have is how we pay for it. Having spent significant time on the road the past few months, I have listened to our county commissioners, legislative members and borough mayors stress the relief Restore Pennsylvania can offer their communities. For example, Sullivan County’s annual budget is \$5M, but the quote the county received to address their broadband infrastructure issues far surpasses their financial capacity. And Sullivan County isn’t alone. It’s happening across the commonwealth.

Pennsylvania is fortunate to be located on one of the largest natural gas plays in the world – the Marcellus Shale. The result is that gas production is booming, and we have billions of dollars of natural gas infrastructure constructed or being constructed under our feet right now. Pennsylvania is currently the second-largest producer of natural gas in the United States, only behind Texas. And we'll likely surpass Texas in the next few years. Despite the abundance of natural gas production here, we're the only gas-producing state that does not levy a severance tax on gas drillers.

While we have an impact fee, that impact fee is based on number of wells rather than volume of production. As technology has increased and fewer wells are needed to extract the same volume of gas, we're simply not seeing the returns on the impact fee that had been anticipated when the fee was originally introduced. The result is that Pennsylvanians aren't getting their fair share for the resources under our feet.

The proposed severance tax would be tied to volume of production, as is the standard in other states. Texas, for example, has a severance tax on natural gas, and has had one for decades. In 2018 alone, Texas collected more than \$1.4 billion dollars in natural gas severance taxes. In comparison, our impact fee only collected \$209.6 million in 2018.

Despite the \$1.2 billion-dollar difference in revenue, Texas only produces slightly more natural gas than we do in Pennsylvania – 21 percent more. To put that in perspective, Texas produces 21 percent more natural gas than us, but they collect nearly 700 percent more revenue. Yet the industry is booming in Texas. That's why we do not buy in to the argument that implementing a severance tax here in Pennsylvania would drive out the industry. Real-world examples simply don't support that argument. Pennsylvania is where the future of natural gas is in the United States, and the gas industry knows it.

As was reported by Secretary Dennis Davin at a hearing earlier this year, the Independent Fiscal Office has determined that most of the severance tax will be paid for by residents in other states that consume our natural gas. It also will have no effect on the impact fee, which will remain in place, ensuring that the communities who are using that fee for vital community development projects can continue utilizing that revenue stream. And finally, Restore Pennsylvania will prevent the practice of reducing royalty payments to landowners with post-production deductions, so landowners receiving royalties will continue to benefit from those payments.

The Wolf Administration is committed to cultivating vibrant communities and fostering equal opportunities for every Pennsylvanian, regardless of their ZIP code. Restore Pennsylvania is a way in which we can level the playing field, expand access to high-speed internet, and ensure that every Pennsylvanian feels as though he or she is a valued member of this commonwealth.

Thank you for your attention and I would be happy to answer any questions.