

Report Highlights

Examination of Current and Future Costs and Revenues From Forest Products and Oil, Gas, and Mineral Extraction on Pennsylvania Game Commission Lands

House Resolution 2007-193 directs the LB&FC to study the potential revenue that could be generated for the Pennsylvania Game Commission from increased timber, oil, natural gas, and mineral extraction. Given the technical nature of this study, we contracted with resource experts at The Pennsylvania State University. The report found:

- **Timber inventories are available for only about 1/3 of PGC lands, and up-to-date management plans are available for only about 1/5 of the agency's acreage.** Without such information, it is not possible to determine whether higher timber harvest levels can be sustained in the long run.
- **Timber prices are currently very low.** In recent years, timber revenues have comprised about 20% of PGC revenues. But timber revenues have been trending downward due to low prices and poor timber markets, with some prices dropping as much as 50%. Consequently, it does not make sense to increase timber sales at this time. If anything, timber sales should be reduced in the short run to allow the PGC to complete more WMU management plans.
- **OGM revenue has averaged about \$2 million/year over the past 5 years, but increased substantially in FY 2008-09 due to Marcellus shale leases.** Revenues from oil, gas, and minerals have fluctuated over the years, with the market for natural gas, in particular, showing extreme price volatility. While difficult to predict future OGM revenues, they are expected to increase in the short time and could possibly be in the billions of dollars over the long term and depending upon the PGC's ownership of mineral rights.
- **Coal is plentiful on PGC lands, petroleum is in sharp decline, and natural gas production is increasing.** The PGC requires coal mining companies to restore the land to its preextraction condition, which limits the revenue available from such activities. Much of the oil on PGC land has already been extracted, and drilling pads also have adverse environmental consequences. As noted above, significant revenue potential does exist for natural gas.
- **While timber harvesting can and does enhance wildlife habitat, OGM exacerbates fragmentation and loss of wildlife habitat.**

The amount of revenue that can be generated by OGM extraction is therefore more problematic than for timber. Other limitations to maximizing timber and OGM revenues are the lack of planning and personnel to determine what is sustainable.

- **The title to OGM rights is often not clear.** In Pennsylvania, extraction rights under the ground are often severed from the right to use the surface, and the PGC often does not know if it actually owns the mineral rights. This makes it difficult to evaluate OGM revenue potential.
- **The PGC's procedures for conducting timber sales are basically sound.** Given current economic conditions, the PGC has been giving no-cost extensions to timber contractors. Under more normal economic conditions, these extensions are not typically made. The report contains several relatively minor recommendations concerning the timber sale process.

Recommendations: The report contains over 40 recommendations, including:

- Timber harvesting should not be increased without additional planning. WMU and regional plans should be structured in such a way that they can be aggregated into a Statewide plan. Such plans must be realistic and feasible.
- Engage the public more actively in the planning process.
- Increase the forestry and OGM staff at both central office and regional office level (including a full-time GIS position in each region) and better define their responsibilities.
- Eliminate the WCO ceiling for foresters.
- More transparent decision process for leasing of state game lands, including better analysis of non-market value impacts.
- Clear title issues to allow the PGC to take advantage of market opportunities.
- Design leasing strategies to establish a steady cash flow for the agency.