

Mineral rights, royalties flowing to Western Pa. charities



By Katelyn Ferral

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Some universities and charities don't need a gas well in their backyards to be enriched by the Marcellus shale frenzy. Contributions of mineral rights and royalty checks are flowing in from landowners who are sitting on for tunes because of the gas boom.

Penn State University said it has received five to 10 gifts of royalty income or bonuses from gas drilling. West Virginia University has received about 24 donations of oil and mineral rights. And the University of Pittsburgh is weighing its first such donation.

Charitable donations of complex assets, such as collectibles, real estate, royalties and mineral rights, are not un- common. When these assets appreciate significantly, their owners may consider donating them, not just to share the wealth and be altruistic but for tax advantages.

Researchers who track philanthropy say there are no statistics that measure gifts of mineral rights and royalties, but Michael Hoffman, a charitable planning consultant with Fidelity Charitable based in Pittsburgh, said there is growing interest from potential donors. "Definitely, there's a lot of discussion. We see a definite increase of inquiries in that area," Hoffman said.

Penn State said it received its first such donation in 2008, which tracks the boom in the state's gas drilling industry. Although the university's mineral rights and royalties donations have dwindled since 2012, when gas prices bottomed out, the class of charitable gifts under which they fall (noncash complex assets) has been growing.

The number of people reporting noncash donations to the Internal Revenue Service increased 21 percent from 2006 to 2011, the most recent year available. At Fidelity Charitable, one of the biggest operators of donor-advised charitable funds, noncash complex assets accounted for 17 percent of the gifts it handled in 2013, up from 3 percent in 2009, spokeswoman Kim Judecki said.

Universities in Texas and Oklahoma, situated amid drilling for decades, have benefited from mineral and oil rights donations for years. Now, gas drilling in Appalachia is bringing this potential windfall to Pennsylvania schools.

"This is an opportunity for Pennsylvania colleges to have kind of an unusual revenue stream," said Betsy Suppes, a geologist based in Johnstown, who has consulted nonprofits and universities on mineral rights gifts since 2002.

Receiving mineral rights as a donation can be more burden than benefit for some nonprofits because they require a lengthy and costly vetting process before they can be accepted. But institutions and groups say they are expecting such gifts to increase with growing gas production in the Marcellus and Utica shales.

"We anticipate if the price of gas goes back up, there will be more drilling and also more gifts," said Mike Dagenhart, assistant vice president in the Office of Gift Planning at Penn State.

Penn State is trying to make the process easy for potential donors. The university has staff that is dedicated to vetting such gifts and advising people who want to donate. It is petitioning the IRS to streamline forms to make it easier for donors to assign a percentage of their royalty interest to a charity or university, Dagenhart said.

Penn State officials are working with Tom Hoffman, an Erie attorney who advises clients on royalty and land rights gifts, to coordinate with charities and gas companies on mineral rights donations.

Hoffman advises clients on how to donate mineral rights and royalties so they're taxed at the lowest rate. Donating can help lower the overall value on an estate that's taxed when it is inherited. He is spearheading an initiative to ask landowners with gas money to consider donating a percentage to charities and universities.

"We're trying to help charities create the thought that if you have shale energy you should leave a legacy so that when all the energy is out of the ground there's a legacy for future generations," Hoffman said.

The University of Pittsburgh has not received a mineral rights gift yet, but one such gift is currently being vetted with a donor, said Albert Novak, vice chancellor for Institutional Advancement.

"We're a long way from getting that done, there's just so much due diligence around a gift," he said. Due diligence includes such things as verifying mineral rights leases, reviewing land records and performing environmental assessments. But how to receive and benefit from such gifts are new to institutions in Pennsylvania — and donors, too, Novak said.

"I suspect as more and more citizens, especially in the Marcellus shale area, come to benefit from these types of earnings that that's going to factor in other philanthropic plans too," Novak said.

Many universities and nonprofits say they don't have the staff or money to thoroughly investigate the land rights and want to avoid any potential controversy associated with the shale drilling industry.

"Oftentimes, we want to sell that as soon as possible," said Dan Clare, director of communications at Disabled American Veterans (DAV), a national charity that helps veterans receive their benefits and has an office in Pittsburgh. The group has received mineral rights in the past but no longer holds any and is not seeking them.

Both the Washington County Community Foundation and Community Foundation of Greene County, based in counties that have seen an influx of gas drilling, say they've received or are promised gifts from wills either from mineral rights or royalties.

"The big change is people making charitable contribution to us, and we know that their revenue has been increased because of the industry," said Betsie Trew, president of the Washington County Community Foundation.

Both groups say they are seeing the most donations coming from people who have lived in the counties for years, not from big gas companies. Officials from the universities, nonprofits and foundations said donors nearly always want to remain anonymous.

At the Community Foundation of Greene County, Executive Director Bettie Stammerjohn has her staff looking into how the group should approach mineral land rights should they be donated. The group has received royalty payments, and some donors have promised their gas money once it's paid out, she said.

"We're starting to see a little bit more of that in Greene County," Stammerjohn said. "We saw some initially and that kind of dried up, and I think that was from the initial signing bonuses. It took a while for some of the wealth to come into play."