

Fracking Economics

Costs and Benefits to Local
Communities

Multi-State Shale Collaborative

- PA: Keystone Research Center, Pennsylvania Budget and Policy Center
 - NY: Fiscal Policy Institute
 - Virginia: Commonwealth Institute
 - West Virginia Center on Budget and Policy
 - Policy Matters Ohio
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- Advisory Group: Academics and Experts

Goals

1. Develop and disseminate **factual information** on social, economic and fiscal impacts of natural gas drilling
2. Improve understanding about the size and character of **social impacts**
3. Help local officials **anticipate**, plan for, or avoid negative drilling related impacts
4. Improve capacity to **factor actual costs** and impacts into decision making

Phase I

- Review of literature on local impacts
- Studies in regions where industry more developed

Phase II

- Case Studies
- Ohio – Carroll County

Phase III

- Policy Development
- Discussions, Best Practices

Net Benefits

- Due to increased gas drilling activities across the nation, local communities are experiencing both positive and negative economic impacts.
- The overall economic impact - positive or negative – is determined in large part by
 - how many of the dollars stay in the community,
 - who gets the jobs,
 - will the industry locate locally,
 - will local businesses provide the services to these industries,
 - will wages and royalties be spent within the state, **and**
 - What the costs to the community are.

On Benefits

Potential

- Jobs
- Leases/Royalties
- Local economic activity
- Business profits

Actual

- *Local hire versus out-of-state workers? Temporary versus permanent employment? Pay Good Wages?*
- *Fair Deals? Length of time receiving royalties? Taper off dramatically? Mandatory pooling? Money invested or spent locally?*
- *How much? What kind? Support long-term growth? Overbuilding?*
- *Local or out-of-state companies? Value-added facilities in community?*

Examples

- Industry studies on **Ohio jobs potential inflated**: 20,000 not 200,000 jobs, negative impacts on other industries like tourism (*OSU study, Partridge/Weinstein, 2011*)
- Economic activity increased significantly in shale gas regions of Ohio but employment numbers haven't increased at the same rate, possibly indicative of **employment of out-of-state workers** (*CSU study, Thomas, 2013*)
- Penn State study estimates between **25 & 35 percent of new hires** in gas companies and related industries are **non-state residents** who likely send some earnings home (Brundage, 2011).
- 12 County survey of local officials in PA – only 4% of respondents reporting gas activity reported increases in income tax (Kelsey 2011)
- Penn State study suggests **costs to local government may be greater than revenues**. Urban areas like Fort Worth, Texas with mature industry better able to absorb costs and take advantage of benefits than rural areas (*What Local Governments Need to Know*)

On Costs

Housing Impact

- Increased demand for housing
- Property values

Unrecognized Costs

- Housing crunch
- Pressure on rent and housing prices to rise
- Shorting on affordable housing
- Increased difficulty recruiting staff for non-energy related work
- Possible negative impact on property values near drilling, more likely if well water, or land used for agricultural purposes

Examples

- Sublette County, Wyoming (Ecosystems Research Group, 2009). Large population increases, boosted housing prices, shortage of housing.
- Headwaters study of counties in Colorado, difficulty of non energy industry employers recruiting workers because of sharp rise in housing
- Two studies in Pennsylvania found value of homes located near drilling activity were negatively impacted (well water, 4%; agricultural lands, 7.2%)

Roads & Bridges

- Traffic
- Road Damage & Repair
- Road Agreements, industry donations

Unrecognized costs

- Increased traffic, increase in accidents, increase in heavy and overweight trucks
- Increased wear and tear on roads, road damage, increased wear and tear on vehicles (*ie school buses*), costs for road repair, need for large-scale road improvements
- Some communities getting donations, engaging in road agreements with industry, but enough to cover total costs? Cover long-term maintenance?

Water & Sanitary Waste

- Water Volume
- Solid Waste
- Water & Sewer Infrastructure
- Waste water

Unrecognized Costs

- *Increased water use*
- *Increased amounts of solid waste*
- *Strain on water and sewer systems*
- *What's happening to fracking related waste water?*

Service Impacts

- Crime rates and emergency services

- Caseloads

Unrecognized Costs

- *Increased 911 calls and EMS runs*
- *Increase in arrests*
- *Change in types of crimes reported*
- *More drug activity*
- *Increased # of dui's, traffic citations*
- *Increased need for law enforcement personnel*
- *Increase in # of cases entering judicial system*
- *Increased caseloads related to family dysfunction (schools, social service agencies, medical care, law enforcement)*

Examples

- Ecosystems (2009): increased crime, need for law enforcement personnel, EMS runs, arrest grew faster than population
- Headwaters study (2009): sharp increase in crime. Chief of Rock Springs Policy – narcotics arrests rose from 90 to 450. Caseloads for judges quadrupled.
- Rural areas with no marcellus shale activity, crime steadily declining (Kowalski & Zajac, 2012)

Service Impacts

- Health Care

- *Increased demand for medical clinic services*
- *Expansion of medical clinics*
- *Rise in # of patients without health insurance*
- *Rise in uncompensated care. A community-owned hospital in PA estimated loss of $\frac{3}{4}$ of a million dollars from uncompensated care for subcontractors working on drilling operations)*

- Worker Safety

- *Injuries and fatalities of oil and gas workers*
- *Injuries and fatalities related to motor vehicles*
- *Worker compensation claims*

Unrecognized Costs

Education

- Student enrollment
- Staffing
- School income/expenses

Unrecognized Costs

- *Mixed impact on Student Enrollment, higher student turnover rates*
- *Potential impact on dropout rates, and postsecondary enrollment*
- *Increased need for English-as-a-second-language (ESL) instruction and staff*
- *Difficulty recruiting teachers and staff because of housing crunch, prices, workforce shortages*
- *Increased tax base may benefit schools*
- *Leasing school district lands for drilling*
- *Increased expenditures*
- *Construction of new/additional facilities*

Phase II & III

- Case Study of Counties in respective states
- Conducting interviews, looking through data, possible focus groups
- Shooting for July-September series of releases
- Fall 2013 Legislative Caucus to discuss policy implications

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