“Impacts of Marcellus Shale Development on Municipal Governments in Susquehanna and Washington Counties, 2010” – Michael Jacobson, associate professor of forest resources, and Timothy W. Kelsey, professor of agricultural economics and state program leader for economic and community development

Q: You conclude from your research that “there were no significant differences in spending or revenue collection before or after Marcellus activity” in the townships in Susquehanna and Washington counties which you studied. What is your sense of whether that conclusion will hold long-term? Can a case be made that significant differences in spending or revenue will accrue over time?

Jacobson: Gas development is relatively new. We only had two solid years of fiscal data. I think as the play expands our conclusions will change, and concomitant fiscal impacts. A lot will depend on the rate of scaling-up development. With the current production of about 100 rigs in PA/year and 1000 wells drilled/year, and the industry being as proactive as we saw in those counties, then I think the impacts may remain the same. But there also may be some unforeseen impacts that surface over time. Another issue, yet to be seen, is how an impact fee or severance tax can offset some of these fiscal impacts.

Q: Your study indicates that municipal costs related to Marcellus Shale development are largely personnel as some municipalities have had to hire additional personnel. How have those municipalities who have added personnel funded those new positions?

Jacobson: There were only a couple of municipalities that had actually hired new people. One was a permit-related person and one was policeman. Both of these positions were funded from fiscal budgets and their duties included more than just gas development. Most township officials were picking up the work but it was taking away from other duties.

Q: You mention that as development of Marcellus Shale continues, municipalities may need to provide “new services that they do not currently support.” What might some of these “new” services be?

Jacobson: As in mentioned I think there may be unforeseen costs that crop up. I think ones that come to mind are environmental-related and infrastructure-related, such as road maintenance. On the positive side the play has already brought new jobs, industry and development which will provide added revenues to offset these services. The question is what will happen when the gas play is over.

Q: How do you plan to follow up this initial study?

Jacobson: We would like to find funding for follow up in a couple years of longe-term tracking of the fiscal data from DCED. I think we have good baseline now. We also need to add more counties. As impact fee monies come in we will track that as well.