

Researchers Report Fiscal Impacts of Gas Activity on Municipal Governments Through 2009

University Park, Pa.—It's a given that development of the Marcellus Shale gas play is reshaping landscapes, changing employment patterns and increasing family finances in many of Pennsylvania's rural counties.

But how is Marcellus Shale activity affecting municipal government and services in the counties where it is occurring?

To answer that, two Penn State researchers—Michael Jacobson, associate professor of forest resources, and Tim Kelsey, professor of agricultural economics—examined a decade of revenue and expenditure data from more than three dozen townships in Washington and Susquehanna counties, both of which are experiencing significant Marcellus Shale activity.

Their conclusion: “No significant differences in spending or revenue collection before or after Marcellus activity in those townships,” according to a Marcellus Education Fact Sheet.

The researchers cautioned, however, that as the scale of Marcellus development increases, municipalities may need to provide new services they do not currently support. Municipalities may also discover they need to expand existing services such as planning and management.

“We only had two solid years of fiscal data as gas development is relatively new,” Jacobson said. “I think as the play expands, our conclusions will change—a lot will depend on the rate of scaling up development and concomitant fiscal impacts.”

The researchers noted that in the townships studied, gas companies were mostly proactive in repairing and upgrading roads damaged by gas-related traffic, and that helped municipal budgets as road maintenance and repair account for a large share of municipal spending.

But some municipalities reported having to hire new staff to deal with Marcellus issues, an unanticipated cost, or having to shift responsibilities of existing staff.

In addition to examining local government audit data for each year from 2001 to 2009, the researchers conducted focus group interviews with municipal officials in both counties.

“There may be unforeseen costs that crop up—environmental-related and infrastructure-related come to mind,” Jacobson said. “On the positive side, the play has already brought new jobs, industry and development which will provide added revenues to offset these services.”

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To read more about the research, go to: <http://marcellus.psu.edu/resources/publications.php>. To read more about the Marcellus Seed Grant Research Program, go to: <http://marcellus.psu.edu/research/seedGrant.php>.

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