

Marcellus gas not hurting or helping municipal finances

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While being credited by many as a major new economic engine for Pennsylvania, Marcellus shale gas-development so far may not be having much of an effect on the finances of local municipalities, according to a study by two researchers in Penn State's College of Agricultural Sciences.

Michael Jacobson, associate professor of [forest resources](#), and Tim Kelsey, professor of [agricultural economics](#), examined how [gas drilling](#) and production activities are affecting municipal government and services in two rural counties where they are occurring.

They examined a decade of revenue and expenditure data from more than three dozen townships in Washington and Susquehanna counties, all of which are experiencing significant [Marcellus Shale](#) activity.

"Surprisingly, we found no significant differences in spending or revenue collection before and after Marcellus activity in those townships," said Jacobson, who specializes in forest economics, finance and policy. "The statistical analysis of the audit information showed no clear relationships between Marcellus Shale activity and municipal finances."

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 also may discover they need to expand existing services such as planning and management.

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

"Municipalities identified a range of impacts their local governments were experiencing as a result of Marcellus Shale development, but they stated that so far, most have been either nonmonetary or they have internally shifted resources to cover them, so the impacts do not appear in the municipal budget," Jacobson said.

"Even with significant gas development, some officials said they have not 'spent a nickel' on gas-related issues."

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 and infrastructure-related come to mind," Jacobson said. "On the positive side, the play already has brought new jobs, industry and development that will provide added revenues to help offset the cost of these services."

A Marcellus Education Fact Sheet detailing the findings of the research is available at pubs.cas.psu.edu/freepubs/PDFS/EE0006.pdf online.

Provided by Pennsylvania State University

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