

SOCIAL ISSUES IN PENNSYLVANIA MARCELLUS SHALE COMMUNITIES

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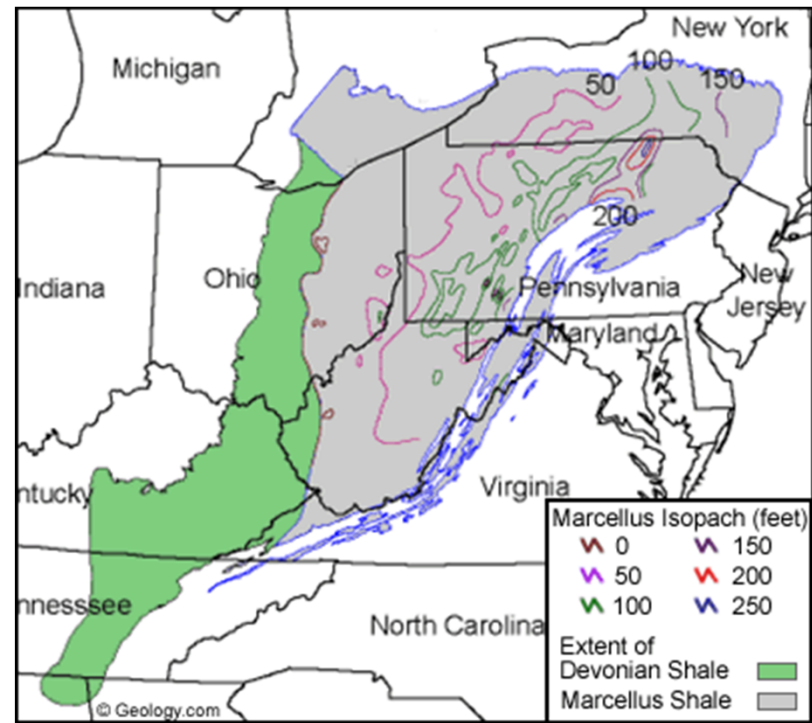
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Overview

- 79% of surface area of Pa.
 - > 100 rigs running
 - 6,000 drilling permits issued in 2009
 - \$4 billion in land/lease acquisition, new well drilling, infrastructure development and community partnerships*
 - \$600 million in taxes paid (corporate, sales)**
- * Marcellus Shale Coalition
** Range Resources



Existing Economic Studies

(Tim Kelsey, Webinar, March, 2010)

1. Pennsylvania Economy League (2008)
 - \$7.1 billion in economic output
 - 26,500 jobs
2. Joint Urban Studies Center (2008)

“Possibility of unprecedented wealth, employment...and significant population increases.”
3. Considine et al. (2009 and 2010)
 - \$3.8 billion in economic output
 - 48,000 jobs
 - More than \$400 m/year in state and local taxes

For 2020

 - \$13.5 billion in value added
 - 175,000 jobs
 - \$12.5 billion in taxes (2008-2020)

Social Issues in Rural America

(Jeffrey Jacquet, Cornell University)

- Local governments often unprepared for growth, uncertainty and lag in revenues.
- Lack of expertise or ideological bias: slow to mitigate problems (e.g., rise in housing costs, infrastructure, local inflation).
- Perception that oil and gas industry disproportionately attracts drug addicts and criminals.

“Communities should prepare for the volatile nature of energy development and design long-term strategies that produce short-term mitigations and long-term community investments.”

Anecdotal Evidence Provides Clues

- Several local school superintendents report increased class size, school bus route disruptions, hiring problems. Property taxes may need to rise because of new enrollment, which socializes impact.
- Housing is a major issue in Northeastern and Southwestern Pennsylvania. Reports of people sleeping in the woods.
- Mental health and drug and alcohol services are stretched in rural areas: 20 % increase in last 12 months.

Practical Considerations

- The latest estimate of Marcellus-related jobs is about 15,000 over the next 10 years (PA Dept. of Labor and Industry).
- Only 30% of these jobs are filled by Pennsylvanians, but with high turnover rates.
- 600,000 Pennsylvanians are unemployed. Half of them will exhaust their unemployment benefits by mid-2011.
- 45 of the poorest 50 school districts in Pennsylvania sit on the Marcellus Shale.
- Pennsylvania has no severance tax; local governments can't tax gas and oil production.
- What's the answer?

Likely Scenarios

- Companies will try to distinguish themselves as good neighbors and will also compete by paying higher lease prices. Cost of doing business will go up.
- State government will lease more public land for drilling to balance the state budget, but the trade-off will be an “impact fee” to help local government.
- Based on research elsewhere, local conflicts will increase. Companies need to play an active role in managing these issues.

