

TESTIMONY ON THE LOCAL IMPACT OF MARCELLUS SHALE DRILLING

PRESENTED TO THE  
HOUSE REPUBLICAN POLICY COMMITTEE

BY

DOUGLAS E. HILL  
EXECUTIVE DIRECTOR

September 29, 2011  
Doylestown, PA

Good morning. I am Douglas Hill, Executive Director for the County Commissioners Association of Pennsylvania. The CCAP is a non-profit, non-partisan association providing legislative and regulatory representation, education, research, insurance, technology, and other services on behalf of all of the Commonwealth's 67 counties.

I am pleased to appear before you today to share our perspective on Marcellus Shale development issues. By all estimates, the energy resource contained in Pennsylvania's Marcellus Shale formation has the potential to be one of the most significant since the Commonwealth's 19<sup>th</sup> century world dominance in energy production. It represents vast opportunities for jobs and local and regional economies, decreased reliance on outside energy sources, and a fresh outlook for many of our older and declining communities. Public and private sector leaders at all levels are eager to welcome and facilitate its development.

However, as with any form of development, drilling has also come with its own economic, infrastructure and social costs. Local impacts span the range from transportation and wastewater infrastructure, to education and housing, to human services and criminal justice, to environmental and land owner issues, and to general quality of life.

A more complete discussion of these impacts is attached to my testimony and, as you can see, they go well beyond the visible damage to roads and bridges. For instance, during one of the subcommittee meetings of the Marcellus Shale Advisory Commission (the subcommittee on Local Impact and Emergency Response was co-chaired by CCAP member and Lycoming County Commissioner Jeff Wheeland), PEMA Director Glenn Cannon reported on a survey by his agency of impacts on emergency management and on 911 centers. He and Commissioner Wheeland noted difficulties incurred in addressing well sites to enable proper dispatch, needed training for local responders and volunteers, and costs for updating the county and municipal all-hazards response plans. Director Cannon commented particularly on the increased call volume at 911 call centers, in some areas as much as 50 percent. He and others commented on the unique challenges of these remote sites, where accommodations have to be made for satellite phones and special emergency dialing protocols to enable proper dispatch. Still, these costs cannot be easily apportioned; which of the vehicular accidents on these rural roads are occasioned by Marcellus vehicular congestion or by Marcellus-related road degradation?

The Commission's final report includes a lengthy list of local impacts from unconventional gas development, with the Commission even holding a special meeting for the purpose of adding an appendix to the report detailing examples of these impacts. If you have not already reviewed these examples, located on pages 91 to 102 of the report with the appendix on pages 131 to 135, we would highly encourage you to do so as they offer a comprehensive sense of how drilling is affecting local governments in the Marcellus Shale area.

But one point I would like to stress today is the lack of revenue streams to address local service impacts brought on by Marcellus activity. Unlike other forms of development, whether industrial, commercial, residential, or even other mineral resources, there is no direct revenue stream to local governments, due to a 2002 Pennsylvania Supreme Court decision finding a lack of statutory authorization for property tax assessability, to address these issues.

Our membership has recognized and experienced both sides of this issue. At different times over the past several years, we have supported either restoration of assessability or imposition of a state severance tax or impact fee with a robust local share as a means to help us deal with all of the local impacts arising from Marcellus development. Most notably, any state-wide levy must dedicate an appropriate local share to impacted local governments, and it must recognize the broad nature of local impacts in a way that does not delay or phase in implementation, impose unnecessary administrative overhead on local governments, or establish limitations on allowable expenditures from the funds received.

I would like to take a moment to emphasize this point a bit more. While the drilling industry does generate state tax revenue, there is a lack of revenue streams to address local service impacts. Unlike other forms of development, whether industrial, commercial, residential, or even other mineral resources, there are no revenues that return directly to counties to address these issues, because counties rely solely on the property tax for local funds and the Supreme Court decision referenced above found a lack of statutory authorization for property tax assessability of oil and gas.

We have frequently been pressed for a direct cost accounting of impacts. To that end, CCAP has attempted to create rough formulas that allow for some reflection of the impacts, but at best they were estimates only, based largely on anecdotal evidence, not exact accounting. Our children and youth agencies, for instance, do not ask clients their relationship to the Marcellus Shale industry. Upgrades to computer systems in the recorder of deeds office may have been scheduled anyway, but the need was simply accelerated by the demands of the industry – how do we allocate that cost to the industry? Do we cost-account the need to amend our county emergency response plans to the first well drilled that triggered the amendment process, or somehow to all future wells that might ever be drilled in the county?

Rather, like any other business, industry, or resident, there should be some uniform, proportionate, and fair assessment against this industry. Conceptually, all of us are part of a community and all of us pay a share for its services, not because we are using them – and we hope we are not drawn into many of them – but because assurance that they are available is important to the stability and livability of our communities and our ability to conduct our business and raise our families. When one segment of the community is not assessed for the use of services, the burden of providing them falls disproportionately on other segments of the community – in this case, other business and residential property taxpayers. As such, an impact fee as recommended by the Commission would ensure that county residents do not unfairly shoulder the responsibility for the increased costs associated with increased utilization of county services.

In closing, we are committed to the passage of legislation that meets the needs of the commonwealth, the industry, the environment and our local taxpayers. We would be happy to discuss these comments further at your convenience.

# County Impacts Related to Marcellus Shale Drilling

## Human services overview

County human services programs are impacted in unique ways by out-of-state workers brought in for Marcellus Shale development. Although similar to the resident population, they appear to have a nominally higher percentage of individuals with behavioral issues that fall under county jurisdiction. Incidence is most frequent in drug and alcohol, mental health, children and youth, and domestic issues. In addition, the nature of service is different in some ways for this population. First, because workers from out of state lack the community supports our residents rely upon, such as extended family, faith-based groups, and others, they are more likely to fall directly into county programs rather than being diverted into the community. Second, because of their transience, the county may not have immediate or full access to an existing case file, hampering proper treatment and disposition. Third, because their supports are distant, the solutions can involve transport of the offender, the client or the dependent(s). All of these become burdens for the county systems, which are funded by a combination of federal, state and local tax dollars.

## Child welfare services

**Bradford County** – In Bradford County, children services has reported a ten percent increase in placements of children, all due to local residents' inability to find safe, affordable housing in the region (see "Housing" below).

**Lycoming County** – Lycoming County reports three assessments and a total of four children in emergency placement for a total of six days (two children for two days and two children for one day). The children were safely returned and assessments were all closed. There have been no child protective services (CPS) cases.

**McKean County** – McKean County is on the fringe of current drilling and is having more domestic violence and assaults directly related to Marcellus Shale. Children and Youth have only had a handful of referrals directly related but believe more will be headed their way.

**Sullivan County** – Sullivan County is trying to calculate the costs to give to the commissioners right now. So far, in addition to more "typical" cases, the county has had one family which took up a great deal of several staff members' time over the course of six months or so. It involved Interstate Compact Homestudy, a General Protective Services (GPS) and a CPS investigation, an open GPS service case, shelter placements for two children, some IL costs, and considerable staff time. They have since left the area (airfare paid by the county), so the county has not incurred any costs directly related to MSG for about two months. We do know that domestic violence rates are being impacted, but nothing referred to Children and Youth.

**Tioga County** – Most of Tioga County's impact has been with adults and has impacted the police and adult probation. Children and Youth has had a minimum impact on intakes, CPS and placements. That is expected to change when gas workers start bringing their families with them. That is not happening on a large scale yet, but if it follows the same pattern as Bradford County,

it is believed it will. There has been a significant impact on available housing and rentals, especially for poorer families and those with mental health issues.

In January, Tioga County commissioner Erick Coolidge provided the following testimony to the Senate Republican Policy Committee:

“One of the difficulties in providing hard numbers on the impact to our human services is that there is no way to anticipate the types of cases that might come before us. Generally speaking, because many of the drilling workers are transient, they simply do not have the level of community support that residents do, which makes it more likely that they will come to utilize county services. More specifically, different needs require different levels of service, and thus different cost impacts. For instance, the placement of a child could range from \$80 per day to \$350 per day, depending on their needs. If there are hospital costs involved, say as a result of child abuse, those costs can easily run into the thousands of dollars per day.

“Unfortunately, in the child welfare planning cycle, budgetary estimates are made 18 to 24 months out. If counties are not able to predict with certainty how their overall populations might change in that timeframe, how are they supposed to know what will happen to their intake levels and what kind of placements they might have to deal with? In Tioga County we now have some experience on which we can make better-educated guesses, but in our area as well as those areas just beginning to see the arrival of drilling, those unanticipated issues become another transferred cost to the county tax base.

“The way we deliver county human services has also seen changes. Caseloads are growing, some of which has been generated by the influx of new workers to our area. Unfortunately, as Tioga County is facing difficult budgetary times like everyone else, we have already cut six programs and furloughed 30 individuals, and combined with reduced state funding in many areas, we are forced to ask our employees to accept additional caseloads. At the same time, it now takes far longer for caseworkers, along with everyone else, to travel between clients to address issues. Our employees simply cannot be as effective and efficient with their time since so much of it is now devoted to travel. In addition, the roads now put far greater wear and tear on our employee and county vehicles, adding to costs for repairs and maintenance – when you can find a local mechanic who has not already been hired away by the gas industry.”

## **Housing**

### **Northern Tier**

The traditional housing market has also become extremely tight. In Bradford, Susquehanna and Tioga counties, the number of related workers is projected to increase from 1,723 in 2009 to 4,375 in 2013, and companies such as Chesapeake Energy have quoted 15 years as a conservative estimate of their presence in the region. In light of this, rents for housing have doubled, tripled or more in the face of the soaring demand. For instance, units which were renting for \$375 to \$400 per month a few years ago are now renting for \$800 to \$1,200 per month (which is now the price floor for two-bedroom units) and units that were renting for \$600 per month are now renting for \$1,200 to \$1,500 per month (the new price floor for three-bedroom units).

There was already a shortage of accessible, modern rentals in the region before the expansion of Marcellus Shale drilling, and low-income renters are accordingly facing particular hardships as they are being priced out of the market. In addition, many landlords who once held HUD housing are now converting it back to regular housing to take advantage of the market's higher rents.

The Bradford-Sullivan Local Housing Option Team found 37 families and close to one hundred people homeless in Bradford County this year. Housing authority waitlists are surging, and as of November 2010, Sullivan County HA had a waitlist for the first time in its history. The regional homeless rate has increased 20 percent, and the local state-funded Homeless Assistance Program often cannot find rooms in hotels for people in need of emergency housing.

A recent article indicated that local agencies are working to address the increased demand for housing in Bradford County. In July, Trehab was awarded two of the four housing projects it had applied for through the Pennsylvania Housing Finance Authority, totaling \$18 million (30 to 35 percent funded through PHFA and the rest through investments).

All of these factors combined have had other unfortunate consequences – victims of domestic violence are returning to abusive homes and senior citizens are being placed in nursing homes rather than utilizing Nursing Home Transition Waiver services in market rate units. Further, Bradford County children services has reported a ten percent increase in placements of children, all due to local residents' inability to find safe, affordable housing in the region.

Bradford County has also reported a problem with some county prisoners who have not been able to find affordable housing, thus preventing them from being eligible for probation. This means longer terms for them in the prisons and thus higher costs for the county.

The spike in demand has also severely limited the amount of low-income loans available in Tioga County, and a few unscrupulous realtors have been taking advantage of elderly residents as well.

### **Southwest**

On the other side of the state, Greene County is also seeing significant increases in the number of homeless in their communities, as evidenced by the HUD unsheltered point in time count comparison between 2010 and 2011. On January 27, 2010, Greene County reported having zero unsheltered homeless people while on January 26, 2011, the County reported having 11 individuals (one under the age of 18) and ten families, consisting of nineteen adults and ten children, for a total of forty unsheltered homeless people on that date.

A major cause of this significant increase is the targeting of this area by the Marcellus Shale drilling industry due to its being a leading source of natural gas. The enormous influx of companies and their employees has escalated the affordable housing problem, especially for individuals on a fixed income. There are simply little to no safe affordable places to rent within the county at this time. This is evident by statistics reported by the Housing Authority of the County of Greene at a recent Greene County Housing Team meeting. It was reported that they currently have eleven Housing Choice (section 8) vouchers in the hands of people who have sixty days to locate a private landlord to rent from and will be subsidized. These vouchers are

being returned to the Housing Authority because the voucher recipients cannot find an affordable rental unit that would pass the HUD inspection. Connect, Inc., implements Greene County's Permanent Supportive Housing program. They reported that they find it difficult to find units to lease for their participants even though the rent money is guaranteed for the term of the lease which usually begins at a period of no less than one year. The Homeless Prevention and Rapid-Rehousing Program (HPRP) case manager reports that there are consumers who apply and would like to utilize the program but they cannot find a unit that would pass the simple inspection to meet eligibility.

In addition to the lack of housing stock, Greene County has been faced with other housing challenges due to the increase of the Marcellus Shale industry. Rent for those units that are safe and affordable has increased from a minimum of 50 percent to a maximum of 300 percent. This statistic was derived from the aforementioned case managers who assist consumers in finding housing and who also have programs that subsidize housing. Safe and affordable housing rent has exceeded HUD's fair market rent and these case managers have had to justify the large amount of subsidies they disburse. It has been reported that over the last year, landlords have increase their rent for a one-bedroom apartment by \$150, making them \$500 to \$600 per month. Four-bedroom apartments which were previously \$400 per month have been noted as being rented for as much as \$1,600 per month. These costs deplete funding quickly if assistance is approved which means that the number of people assisted decreases while the amount of available funding decreases.

The increased rent from reputable landlords in the county has forced some families to live in substandard rentals. A group of rented mobile homes and an apartment building have been condemned recently. The local township code enforcement officer investigated the property and the conditions were found to be in violation of the township's code. As an example, because of the uninhabitable conditions, county Children and Youth Services recently had three families, including ten children, displaced from their home. Community Action Southwest, who implements the County's Housing Assistance Program and Emergency Shelter Grant, has been working with some of these families to relocate but there are no vacant rentals at this time. These families are now staying with family members and friends while they are looking for a place to live but this can only be temporary as the homes that they are in are too small. This "doubling up" of the families also makes those who are in need of a new rental, ineligible for some housing assistance funding, as HUD does not consider this situation as being homeless. Community Action Southwest is a major provider of housing assistance in Greene County. The estimated number of persons who were unable to be assisted due to lack of safe, affordable housing in 2010 is:

- Homeless Families: 17 total, 27 adults and 32 children
- Homeless Adults Only: 37 adults
- Doubled up Families: 18 total, 24 adults, 34 children
- Doubled up Adults Only: 17 adults

These people received information and referral services but were unable to be housed. Recreational vehicle (RV) parks have developed in the area. Extraction industry workers have been bringing and staying in RVs as well as rental units. This creates an environmental concern

because of water and sewage increase. Being in a rural county, infrastructure is limited to certain areas. Jefferson Volunteer Fire Company's park has approximately 45 spaces rented, Rohanna's park has 29 spaces rented, and Mt. Morris' park is at full capacity as well. Mobile home parks are moving the mobile homes out to make room for the RVs at this time, thus further depleting rental housing opportunities for consumers.

Greene County does not have an emergency shelter. If someone should become homeless, social service providers attempt to place the person(s) into a shelter outside of the county. During the past year, these shelters have been notably full and at times have had a waiting list. When this occurs, Greene County has a policy in place to use a voucher for the person(s) to stay at a local hotel until a space is available or housing can be obtained. Because the majority of the hotels are usually at capacity with workers, service providers have a difficult if not impossible task of finding a bed for the county's homeless citizens. One hotel is entirely reserved for a year at a time by an extraction company so that they are exempt from paying the county tourism tax.

Along with the procedures used in the extraction industries (fracking), the increased use in water has caused the largest water supplier in the area, Southwest PA Water Authority, to start placing restrictions on water usage in their service areas. They will have to expand their plant to keep up with demand which will potentially cause a rate increase to the county's citizens. Also, Carmichaels Borough and Cumberland Township residents were under a boil water advisory recently for a period of weeks due to bacteria from gas well drilling contaminating the water. This caused residents to have to purchase bottled water which, for those on a fixed income, is an extra added expense that is not within their means and caused some hardship on the family budgets.

The extraction industries are also purchasing land with homes located on the properties. The demolition of the homes on these properties is depreciating the value of the land and therefore, the tax base is decreasing. For those homes that remain standing, they are being left vacant but homeless families are using these dwellings to seek temporary shelter from the elements. Please keep in mind that there are no utilities to these homes and this creates unsafe and unsanitary conditions. The unused dwellings have also created crime sprees of breaking and entering and theft of various metal and copper wiring and pipe which are sold to scrap metal facilities. They have also reportedly been meeting places for drug use and other crime interactions.

### **Emergency management/911**

During the April meeting of the subcommittee on for the Governor's Marcellus Shale Advisory Committee, PEMA Director Glenn Cannon reviewed a survey on county emergency planning and 911 operations. He indicated that one of the biggest areas of concern is that the Computer Aided Dispatch (CAD) system aiding counties in dispatching first responders to emergencies does so by address, and the problem counties face with Marcellus is trying to find out the location of well site, due to their remote locations. Counties have taken it upon themselves to give well sites an alias by latitude and longitude in order to properly identify location so that when an incident happens emergency services can be dispatched properly. Counties also took it upon themselves to require companies to post signage on their locations and access roads, and submit an emergency operation plan to county emergency management services.



Another problem in locating an emergency at a well site is the lack of wireless build-out in our very rural areas. Workers instead use satellite phones when they call emergency services, which are not capable of being addressed for 911 call identification purposes. Instead, the counties must work in advance with the Marcellus companies to develop and post specific 10-digit numbers (rather than 911) to call county dispatch.

Cannon also noted that the increased call volume at call centers where there is drilling indicates a need for more staff. He reported that several counties have seen increases of as much as 50 percent in 911 call volume in some areas, particularly in areas with heavier truck traffic. CCAP has corroborating data of significant increases from commissioners in Bradford and Tioga counties.

Counties in the Marcellus region have spent time and county funds in updating their all-hazard plans, and the Marcellus drilling creates unique challenges that need to be addressed, including remote locations, access and communications issues, unique technology, high quantities of hazardous materials, fires, water spills on-site and in transit, routine slip-and-fall incidents and specialized response. Counties have developed and implemented training programs for local responders, and have conducted table-top exercises and gap analysis of their response plans. They have worked with the industry to identify sites, put in place proper calling regimens (including establishment of specific ten-digit satellite call numbers when cell service is not available), developed addressing and GIS coordinates for sites along with identification of nearest available entrances, and developed proper posting of emergency numbers at rig sites.

The county incurs costs for development of the plan, site addressing including GIS, telecommunications adaptations including satellite phones, coordination with specialized responders, training of local responders, updating 911 call taking and dispatch systems, and others. There is no dedicated funding stream for this purpose, so although some counties have found limited discretionary federal or state funds, the primary cost is borne by county taxpayers. Overall costs of development of the all-hazard plans can be well into six figures, while deployment, training, GIS and 911 upgrade costs vary. Some costs are ongoing, including adding new well locations to the inventory as permits are let, ongoing periodic training and table-top exercises, and support of 911 operations.

Lycoming County has presented testimony on some of their costs in the PA Senate and before the Marcellus Shale Advisory Commission's subcommittee on Local Impacts and Emergency Response. They note that the industry has been generally cooperative, including direct financial participation in training in particular. Some other counties, however, note difficulty in getting some of the industry players to adequately cooperate in site addressing, and several of the documented blow-out incidents have found inappropriate time delays, and inappropriately directed calls, in incident notification.

### **Courts/criminal justice/probation supervision**

Shale development continues to rely on out of state workers for about 30 percent of its workforce. In Bradford County, statistics show that after several years of small, steady increases, crime sharply rose in 2010, with 2011 trending in a similar fashion. Many of these arrests have been for DUI. In addition, vehicle collisions in the county handled by state police also rose

between 2009 and 2010 – total collisions increased 35 percent, traffic-related fatalities more than doubled (from eight to 19) and commercial vehicle crashes increased by more than 400 percent (16 to 79).

While it is difficult to correlate the increases directly with the increase in gas drilling, the Bradford County district attorney noted that the county has more people, and therefore more problems. The county sheriff has also noted an increased need in his department for services, with about a 25 percent increase in the number of inmates transported, warrants issued and orders of protection served in the first six months of 2011. Because of the increase in crime, deputy sheriffs must screen more people at the courthouse and sit in on more hearings. The sheriff's department started keeping statistics on extraditions only this year, but that number has also increased. In addition, the county's chief probation officer has noted that there were slight increases in the number of cases since 2006, but that number spiked upward in 2010.

Although on the whole these workers are no different from resident workers, their out-of-state status presents some unique challenges to county service delivery. Under various statutes and interstate compacts, these workers can fall into county or state probation and parole supervision, juvenile programs, and domestic relations enforcement. For example, if they are on probation in the home state, they report to the host county probation system.

There are various costs associated with the supervision of probationers/parolees. Under reciprocal agreements for probation supervision, out-of-state workers on probation in their home states are placed directly into the county or state probation systems. Costs include the probation officer's time and expenses for providing the initial determination to accept jurisdiction, and then the supervision costs of having the offender on the caseload. Another area where costs can be incurred involves the use of local mental health or drug and alcohol services.

Approximately one year ago, the Interstate Compact on Juveniles was modified and signed by many states. There is a provision in that compact that Pennsylvania is seeking clarification on that would allow the supervising county to assume jurisdiction and therefore allow the county to handle the supervision like they would any in-county offender. As an example, in the event an offender transferred from Trenton, New Jersey, to Bucks County, Pennsylvania, for supervision violates the terms of his probation/parole, New Jersey would have to agree to accept the case back for the violations. If New Jersey did not, Pennsylvania was powerless to do anything about continued violations. Under the new interstate compact, there is a provision which is being interpreted to mean Bucks County could handle the violation in its own jurisdiction and impose whatever sentence it would impose on any other county resident under supervision. That interpretation, if correct, could lead to increased service costs and placement costs for violators.

The Interstate Compact for Juveniles falls under the purview of DPW's Office of Children Youth and Families, and CCAP's understanding is that the Office has been struggling to get clarification from the Federal agency that oversees the compact.

The counties hosting Marcellus activities are also reporting court caseloads increased by out-of-state Marcellus workers. This involves additional time for the district attorney and sometimes for the public defenders office, including support staff. Lycoming, Bradford, and Tioga have all

reported the need to hire interpreters on more than one occasion, for trial court and for other criminal justice, civil court, and human services purposes. Availability of regular translation services is limited in these areas. The judiciary also reports the need for additional training and expertise in the specialized field of law dealing with the growing number of civil actions revolving around lease disputes.

An example of extraordinary costs occurred in Tioga County, which recently completed a murder trial where both victim and offender were out of state Marcellus workers. In addition to trial costs, the county was obligated to pay for expert witnesses, and had other problems with case management due to reluctance of at least one witness to testify based on his concern about an outstanding warrant against him in his home state.

Also, if a dispute arises over enforcement of a support order, it comes under the jurisdiction of the host county domestic relations office (and may include hearings in the county court system).

### **Land use/planning**

Lycoming County estimates that it cost \$30,000 to develop their county zoning ordinance revisions to address oil and gas drilling issues, including their consultant and staff time. The county conducted a number of review meetings with the gas industry and their legal counsel and then reworked the revisions over a two-year period, including several public meetings. In addition, the county planning department offered a rough estimate of \$80,000 per year for natural gas facility regulation and permitting, and \$150,000 for the county department of public safety.

### **Tourism**

While the influx of Marcellus workers has been a boon to the hotel industry, it has caused some negative local effects, reported particularly in Bradford and Wyoming counties but also present in the other Marcellus counties. While the out-of-state workers do patronize restaurants and some other stores, they tend to displace traditional tourists who also frequent local attractions and specialized shopping. This displacement also has an effect on state and county hotel tax collections based on the rule that deems any lodger staying more than 30 days to be a resident rather than a transient, exempting the stay from the hotel tax. At the county level, this funding is used almost exclusively for tourism promotion, and has had negative effects on those efforts. Relatedly, Lycoming County reports a decrease in bookings for conferences (a separate income generator for hotels and restaurants) since the hotel space is not available to support the conferences. They duly note industry's voluntary efforts to move its workers out of the county to accommodate the Little League World Series in Williamsport.