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Testimony on Community Impacts from Marcellus Shale Drilling **Erick Coolidge, Chairman, Tioga County Commissioners** Senate Republican Policy Committee January 26, 2011

Good afternoon. My name is Erick Coolidge, and I am the Chairman of the Tioga County Commissioners. I am also co-chair of the County Commissioners Association's Natural Gas Task Force, on which all oil and gas counties are invited to have a representative, and a dairy farmer with wells on my own property. I appreciate the opportunity to be here today to share with you the changes we have seen since the initiation of Marcellus Shale drilling.

Tioga County is located along the New York border and is home to approximately 40,000 residents. We are a very rural county and located in the heart of the Marcellus Shale, and thus we are among the first in Pennsylvania to experience the impacts associated with the initial influx of drilling.

According to the state Department of Environmental Protection, 564 of the 581 permits issues for our county by the Bureau of Oil and Gas Management in 2010 were for Marcellus wells, and all of the 261 wells drilled were related to Marcellus drilling. Only Bradford County directly to our east had more Marcellus permits and wells in the commonwealth last year.

Of course, in order to accomplish such an incredible amount of activity in such a short time, the industry must have employees, places for them to live, vehicles to transport supplies, and so forth. We are told we are about 10 to 15 percent into the development of our area of the Shale, and we have no way to calculate what the community impacts and associated costs will be when we are 40, or 50, or 60 percent in. With that being said, I would like to share some of the experiences we have seen so far in Tioga County, experiences which are to a large degree also shared by our surrounding neighbors in the Marcellus Shale. What is important to take into consideration, though, are the ways in which we must address changing needs, which are not as readily visible to the average visitor to Tioga County.

COMMUNITY AESTHETICS

First, let me say that it is true that many of our local businesses are doing much better than they had in recent years, including contractors and others who are able to lend their expertise to the drilling industry, and unemployment in our area has dropped. However, most of the more specifically skilled jobs being created in the industry are being filled by out-of-state workers, and we have already seen a large influx of transient workers enter our county. We are seeing ongoing efforts to create the needed workforce from within our communities, though, and higher education in our area is greatly assisting that movement by developing and providing forums and courses of study. With that said, the demographics and economics of our communities have already changed, and we know that we are not going back.

TOURISM AND HOTELS

For instance, Tioga County has long relied on tourism and agriculture as our staple industries. To provide housing for their employees the gas companies have been renting long-term hotel rooms, so there are no longer hotel rooms available for visitors. The incredible increase in truck and equipment congestion on the roads have also negatively impacted tourism in Tioga County, undercutting an industry that has sustained our economy for years – and we cannot foresee what will now fall back on once the drilling boom is over. In addition, once a hotel room is rented beyond 30 days, those room rentals are exempt from the hotel occupancy tax, so any increases we have seen in hotel tax revenues because of increased occupancy are largely offset by losses after the 30-day period passes.

ROADS AND BRIDGES

Obviously, the impact we hear about the most in the news when it comes to Marcellus Shale is the condition of the roads. The roads and bridges in our counties were not constructed to withhold the volume of traffic and the reoccurring weight now inflicting them, in addition to the substantial increase in traffic. The industry has extended itself to attempt to stay current with the changes that are occurring due to traffic and to repair damages, but more work remains to be done.

COURTHOUSE SERVICES

For instance, Marcellus Shale drilling has caused several of our county staff to increase or shift their focus to gas and oil exploration. We have seen an increased public usage of courthouse services as more and more deed searches are completed. The industry, to help facilitate its work in these areas, updated our equipment and technological capabilities so we could computerize this information. Although motivated by the interests of the oil and gas companies, our county taxpayers also benefitted.

HOUSING

The traditional housing market has also become extremely tight. Bradford, Susquehanna and Tioga counties have been experiencing a tremendous rise in the price of rental properties in the face of the soaring demand. This is a particular hardship for low-income renters, particular as 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 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.

HUMAN SERVICES

Subsequently, and in conjunction with the transient nature of many out-of-state workers and their families, our county's homeless population has grown, and it is difficult to keep track of families and provide them with the services they need because they move frequently to try to find housing. Some children have had to be placed because their housing situations are so bad, or because of domestic violence and abuse.

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 a caseworker, 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.

EMERGENCY SERVICES

Every time a well is drilled, the county must update its emergency services plan for all hazards. This includes documenting not only the location of the well, but also directions to emergency personnel about how to get to the well if necessary. This does not necessarily include the location of the gathering pipelines used to transport the natural gas to the transmission lines. Although the gas companies have provided instructions or guidelines to all of the counties' emergency management offices, and some training, we remain very concerned that if a gas-related emergency were to occur, our local fire companies and emergency services personnel would not be equipped to deal with that type of incident. Many of the counties have met or are coordinating meetings with gas company representatives to further discuss training county response teams on unique emergency preparedness required for the Marcellus shale industry.

COURTS AND CORRECTIONS

Local corrections systems and work release programs have been affected by the influx of out-of-state gas workers. We have seen increases in crimes such as bar fights, for instance, which not only stretch our local police thinner than they had been before, but also means that our courts are dealing with extra caseloads processing charges. Some gas companies are requesting their employees coming in from out of state be put on work release so they can work during the day and return to the prison at night.

CONSERVATION DISTRICTS

As the Marcellus Shale development continues to expand throughout the commonwealth, residents and the natural gas industry alike benefitted from having the conservation districts as the local contact who knows landowners and the landscape, can take into account erosion, sedimentation, streams and wetlands, and can help in determining where to site and place gas lines. In March 2009, however, DEP moved to centralize erosion and sedimentation permit review for gas drilling to the department's regional oil and gas offices. This move took review authority for those plans away from county conservation districts, whose staff are very familiar with the local environmental issues and who are trained and experienced to deal with issues they encounter in the field. DEP also increased the fees for their offices to do the same job conservation districts had been doing, but those revenues no longer come to the counties to support conservation districts and thereby communities.

WHERE DO WE GO FROM HERE?

Marcellus Shale drilling has the opportunity to mean great things for our state's and our commonwealth's energy independence and economic development. We welcome the industry just as we do other industries and businesses, and we recognize that the industry needs some of these changes, but we simply cannot ignore the impact on our local communities. I would also point out that another difference in this case is that the natural gas industry, despite the changing economy, does not mean much for county budgets because they are largely based on property taxes, and in 2002, the Pennsylvania Supreme Court ruled in *Independent Oil and Gas Association v. Fayette County* that counties cannot assess oil and gas as real property, because the ability to assess these minerals is not specifically granted in the county assessment law. Since that time, oil and gas interests have been escaping local property taxes, which had been paid in oil and gas producing counties since at least the early 1900s. In addition, as state policy makers continue to debate a severance tax or impact fee, commissioners reiterate that a share of this tax should be dedicated to county and municipal governments. However, a local share of severance tax revenue will not correct the existing inequities in the assessment of minerals in Pennsylvania, and the 2002 Supreme Court decision must also be addressed.

These are not short-term issues we are talking about, and we cannot turn a blind eye to the changes sweeping our communities. As I mentioned, we are only about 15 percent into development in our area, and estimates are that we will see an additional 30,000 new workers in the next three to four years.

I believe the industry should contribute, and it has said it will contribute, so we must move forward. If we do not get this right now, if we do not do something to address not only the costs we are facing now but also the anticipated costs for years to come, we will be at a terrible disadvantage when drilling ceases. Generations behind us are expecting us to get this right, and we can do it right. County governments are valuable partners for the state legislature in achieving this mission, and I look forward to working with you on these issues.