Shale Gas Impact Fees in Pennsylvania Communities

James McElfish
Environmental Law Institute
April 10, 2014
## Impact Fee Schedule

<table>
<thead>
<tr>
<th>Year</th>
<th>$0-2.25</th>
<th>$2.26-2.99</th>
<th>$3.00-4.99</th>
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Pennsylvania Impact Fee Receipts

- 2012: $204.2 million
- 2013: $202.5 million
- 2014: $224.5 million
Distribution of Impact Fees

• Initial $25.5 million (Designated state agencies, including funds for DEP, PUC administration, conservation districts, housing fund) intended to offset statewide impacts.

• 60 percent of remainder goes to counties and municipalities with/or nearby producing wells.

• 40 percent of remainder (Marcellus Legacy Fund – state infrastructure, water/sewer, environmental stewardship, bridges, LNG projects).
Municipalities

• Municipalities get 2/3 of the 60 percent share going to affected counties and municipalities.
• In 2012 this was $68 million of the $109 million distributed in this tranche.
• Distribution includes various sub-formulas based on number of wells, proximity, number of highway miles, population.
• Local distribution share based on number of wells does not depend on year of production nor amount the specific local wells have contributed to state impact fee pool.
County and Municipal Use of First Year Distributions
2012
Allowable Uses by Counties/Municipalities

1. Construction, reconstruction, maintenance and repair of roadways, bridges and public infrastructure
2. Water, storm water and sewer systems, including construction, reconstruction, maintenance and repair
3. Emergency preparedness and public safety, including law enforcement and fire services, hazardous material response, 911, equipment acquisition and other services
4. Environmental programs, including trails, parks and recreation, open space, flood plain management, conservation districts and agricultural preservation
5. Preservation and reclamation of surface and subsurface waters and water supplies
6. Tax reductions, including homestead exclusions
7. Projects to increase the availability of safe and affordable housing to residents
8. Records management, geographic information systems and information technology
9. Delivery of social services
10. Judicial services
11. For deposit into the county or municipality's capital reserve fund if the funds are used solely for a purpose set forth in this subsection
12. Career and technical centers for training of workers in the oil and gas industry
13. Local or regional planning initiatives under the Pennsylvania Municipalities Planning Code
4-County Review
# Municipal Impact Fee Receipts

<table>
<thead>
<tr>
<th></th>
<th>Allegheny</th>
<th>Greene</th>
<th>Washington</th>
<th>Fayette</th>
</tr>
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<tbody>
<tr>
<td>Total Fees Received by all Municipalities</td>
<td>$140,904</td>
<td>$5,155,144</td>
<td>$7,218,472</td>
<td>$2,369,184</td>
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<tr>
<td>Maximum Fees Received by a Municipality</td>
<td>$54,587</td>
<td>$1,039,587</td>
<td>$682,017</td>
<td>$376,132</td>
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<td>Minimum Fees Received by a Municipality</td>
<td>$1</td>
<td>$9,349</td>
<td>$223</td>
<td>$757</td>
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<tr>
<td>Mean Fees Received by a Municipality</td>
<td>$1,110</td>
<td>$198,275</td>
<td>$109,371</td>
<td>$55,097</td>
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<tr>
<td>Mean Fees Received as a Percentage of Mean Municipal Revenue</td>
<td>0.01%</td>
<td>25.20%</td>
<td>5.12%</td>
<td>4.74%</td>
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<tr>
<td>Median Fees Received by a Municipality</td>
<td>$149</td>
<td>$119,209</td>
<td>$57,887</td>
<td>$23,053</td>
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<tr>
<td>Median Fees Received as a Percentage of Median Municipal Revenue</td>
<td>0.00%</td>
<td>23.02%</td>
<td>4.16%</td>
<td>4.26%</td>
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</table>
Municipal Spending of Impact Fees

![Bar chart showing spending of impact fees by category and county.]
Municipal Spending of Impact Fees - % of fees

Percentage of Total Impact Fees Spent (%)

Use Category
1: Public Infrastructure
2: Storm and Sewer Water
3: Public Safety
4: Environment
5: Water Reclamation
6: Tax Reduction
7: Affordable Housing
8: Records Management
9: Social Services
10: Judicial Services
11: Reserve Fund
12: Gas Industry Training
13: Local Planning

Legend:
- Allegheny
- Greene
- Washington
- Fayette
McDonald buys salt with gas drilling impact money

March 4, 2014 12:45 AM
By Andrea Iglar

McDonald council members voted tonight to use $12,000 from natural gas drilling impact fees to pay for road salt.

It was the borough’s first use of any of the $42,400 collected in Marcellus Shale impact fees under the state’s Act 13. McDonald does not contain any gas wells.

Council president Marilou Ritchie said remaining Act 13 money will help fund major street repairs this fall.

Salt bills this year total $22,000—more than the $13,000 originally budgeted, officials said.

Andrea Iglar, freelance writer: suburbanliving@post-gazette.com.
County Impact Fee Receipts

Funds Received ($)

- Allegheny: $1,117,319.77
- Greene: $3,130,609.68
- Washington: $4,430,257.74
- Fayette: $1,448,563.45
County Spending of Impact Fees - % of Fees

Amount Spent as a Percentage of Total Impact Fees Received

Use Category

1: Public Infrastructure
2: Storm and Sewer Water
3: Public Safety
4: Environment
5: Water Reclamation
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Allegheny
Greene
Washington
Fayette
Observations

• In general, SW PA municipalities saved more than half their initial allocations, unless amounts were trivial. Other expenditures were on road infrastructure, sewers, public safety. Impact fees (except in Allegheny) represented 5-25 percent of total average municipal revenues. (Consistent with windfall spending hypothesis).

• SW PA counties expended 70-100 percent of their initial allocations. Chiefly expended on road infrastructure, public safety, and some social services. Impact fees (except in Allegheny) represented 6-25 percent of total county revenues.
Survey of municipal/county officials

- Center for Energy Policy and Management, Washington & Jefferson College
- Washington and Greene county and municipal officials surveyed
- 440 contacted - 20 percent response rate
- Included questions on jobs, impacts, revenues, services.
Selected (preliminary) results

• 65 percent of respondents said fees were adequate to impacts; 22 percent said inadequate. Most commonly cited for inadequacy were road impacts.

• 64 percent of respondents saw no reason for collaboration among adjacent municipalities in managing impact fee uses. 22 percent said yes or possibly (road repair/road equipment purchase was most cited)

• 40 percent of respondents said that apart from funds provided through impact fees, operators are not adequately addressing impacts to roads, 25 percent said they were.
Road damage (33 percent), traffic (26 percent), and noise (8 percent) were the most often identified as difficult impacts for municipalities to address.

No respondents reported a special process for handling impact fee revenues and decision-making. The fees become part of the general revenue pool allocated in the normal manner by elected officials.

Specifically excluding impact fee receipts, 45 percent of respondents reported a positive impact on local government revenues they attribute to shale activities. 33 percent said no impact. 10 percent a mixed impact and 8 percent a negative impact.

94 percent of respondents identified no changes made in local government staffing related to shale-related activities.
Thank you

Research supported by a grant from the Heinz Endowments to Washington & Jefferson College and the Environmental Law Institute.

Further information, please contact
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Diana Stares  dstares@washjeff.edu