Oil and gas development has increased substantially in the United States over the past decade, largely associated with shale gas and tight oil resources. This increase has important implications for local government’s financial capacity to provide quality services to citizens. This issue brief provides an overview of the major revenues and service demands (i.e., costs) associated with new oil and gas development for local governments, along with the net fiscal impact to date for county and municipal governments in every major oil and gas producing state: AK, AR, CA, CO, KS, LA, MT, ND, NM, OH, OK, PA, TX, UT, WV, and WY. For the full report, companion reports, and interactive maps showing some of our key findings see: http://energy.duke.edu/shalepublicfinance.

From 2013 through 2015, we gathered data through structured on-site interviews with more than 200 local government officials in 61 counties and 78 municipalities; detailed analysis of state and local tax policies; state and local fiscal data; and two workshops with local government officials, university and independent researchers, and representatives from the oil and gas industry.

We examined local governments in regions that varied across several important variables, such as areas where oil and gas activity was booming or had slowed in recent years. These regions also experienced different scales of oil and gas activity and varied in their fiscal policy structures. The analysis includes local governments in urban, semi-urban, and rural regions, where population density and government capacity vary substantially.

- In most states where local governments levy property taxes on oil and gas property, increased industry activity has led to rapid increases in property tax receipts, especially for counties. In states where local governments are not allowed to levy taxes on oil and gas property (MT, ND, and PA), allocations of state-collected taxes/fees on production or drilling activity have been the most significant new source of revenue.
- Population growth and economic activity associated with the industry has supported or boosted sales tax revenue for many local governments, especially municipalities. Some local governments have leased county- or city-owned land for oil and gas production, generating large lease revenues.
- Major costs for local governments have tended to center on three issues: increased demand for road repair associated with industry-related truck traffic; increased demand for sewer and water services associated with industry-driven population growth; and a variety of staff costs, such as expanding police or emergency services and raising compensation to compete with high-paying jobs in the oil and gas sector.
- In-kind contributions and collaboration between local governments and oil and gas operators have been an important part of limiting road maintenance costs for some local governments, especially in AR, OH, and PA. However, it is unclear why these collaborations are common in some regions and uncommon in others.
- Regions that are or have become heavily reliant on oil and gas activity for public revenues face a distinct set of challenges. Some regions, particularly those with limited economic diversification, may face fiscal challenges if oil and gas activity and prices remain near their 2015-2016 lows.
Our research indicates that the net impact of recent oil and gas development has been mostly positive for local public finances. However, local governments in some regions, particularly highly rural regions experiencing rapid population growth, have faced substantial fiscal challenges. As oil and gas activity in these regions has slowed, the fiscal demands generally eased as revenues began to catch up with demand for services. Regions that are or have become heavily dependent on oil and gas activity face fiscal challenges moving forward, as low oil and gas prices in 2015 and 2016 have significantly reduced public revenues in regions with limited economic diversity. The map illustrates our findings of net fiscal impacts for local governments in 21 regions across 16 states from 2013 through 2015.

Fiscal effects change over time, with service demands and associated costs tending to peak during the most active periods of drilling and hydraulic fracturing, when truck traffic tends to be heaviest and the industry workforce is at its largest. Local government revenues tend to rise more slowly, though this depends on the revenue mechanism. Local sales taxes, lease payments, or in-kind payments may accrue to local governments very quickly, while property taxes and allocations of state severance taxes generally take longer to flow to local governments. Careful design of these revenue mechanisms can play an important role by (1) minimizing revenue volatility and (2) reducing the lag time between when industry activity ramps up and local governments receive needed revenue.

Collaboration between local governments and oil and gas companies can play a major role in limiting costs during periods of heavy activity, especially for road maintenance and repair. Looking forward, those regions most reliant on oil and gas activity for public revenues are likely to experience fiscal challenges managing volatile energy prices, industry activity, and associated revenues.

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**About the Shale Public Finance Project**

This report is one in a series produced by the authors on shale public finance, supported by the Alfred P. Sloan Foundation. The Shale Public Finance project is examining the financial implications for local governments associated with increased domestic oil and gas production, largely from shale resources. For the full version of this and other reports, to view interactive maps showing some of our key findings, or to be notified when new publications are released, visit [http://energy.duke.edu/shalepublicfinance](http://energy.duke.edu/shalepublicfinance).