



PO BOX 103
Fremont Center, NY 12736

Barbara J. Fiala
County Executive
Sixth Floor
Broome County Office Building
60 Hawley Street
PO Box 1766
Binghamton, NY 13902

July 31, 2009

Re: "Potential Economic and Fiscal Impacts from Natural Gas Production in Broome County, New York"

Dear County Executive Fiala,

I am writing you on behalf of Catskill Citizens for Safe Energy, a grassroots organization with over 700 members that is concerned with the impact that shale gas extraction might have on New York State.

I have been a practicing economist for over thirty years and have been involved in the preparation or review of various economic impact studies. I recently read "Potential Economic and Fiscal Impacts from Natural Gas Production in Broome County, New York", and was troubled to see that it failed to adequately address a number of factors that must be carefully considered in order to make informed decisions regarding gas drilling in Broome County. These include:

1. The analysis did not appear to take account of the economic cost of building and repairing infrastructure due to the wear and tear on the roads, public buildings and other structures. This can be a significant expense for rural towns. As a result of the Millenium Pipeline, the small town of Cochection suffered road damage in excess of \$1million, a large sum for such a small town. While the Millenium Pipeline followed a single path, multiple well sites spread throughout a town could have an even more devastating impact on infrastructure.
2. The analysis did not address the cost of mitigation as a result of environmental damage, including but not limited to drinking water contamination and fish kill.

The Community Science Institute of Ithaca, New York, recently estimated that anywhere from 1 to 5% of water wells that are in the vicinity of gas wells will become contaminated. The Penn State Cooperative Extension put the figure at 8%.

3. While the study touts the use of input-output models, and I recognize that such models are typically used to estimate economic impacts (including direct, indirect and induced impacts), these models do not capture economic impacts that result from environmental damage or natural resource use, so the positive economic impacts estimated in this analysis of Broome County are, at the very least, exaggerated. The actual net economic impact may, in reality, be negative.

4. Full economic costs to the region, such as the potential for a decline in property values and an increase in health costs, are not reflected. In fact, the assumption in this report seems to be that property values will increase. It is quite possible that the reverse would occur as many well workers are transient and non-permanent, and existing residents may be driven out due to an increasingly industrial landscape. Far fewer retirees will choose to settle and second home- owners would certainly be vastly reduced in number.

5. Declines in other industries are not reflected in the net economic impact. The tourism industry would be negatively affected, as well as the sport hunting and sport fishing industries, due to both the declining natural beauty of the area, increased environmental damage, and the potential declines in fisheries and wild game.

6. The analysis focuses on a 10-year horizon that seems to be the expectation for gas extraction in the Marcellus Shale, and it ignores the longer term. This is a myopic view. What happens to the regional economy when the gas is gone in 10 years and the land and streams, etc. are polluted?

7. Other studies have shown that gas drilling is not an optimal industry on which to base an economic development strategy. I refer you to a study, "Fossil Fuel Extraction as a County Economic Development Strategy: Are Energy-focusing Counties Benefiting?" prepared by the firm, Headwater Economics, and released in September 2008. This study analyzed the economic health of counties in Western states in order to compare the economies of counties that focused on fossil fuel extraction as a strategy of economic development to the economies of counties that did not focus on such industries. The conclusions are that "while energy-focused counties race forward and then falter, the non-energy peer counties continue to grow steadily... Counties that have focused on broader development choices are better off, with higher rates of growth, more diverse economies, better-educated populations, a smaller gap between high and low income households, and more retirement and investment income."

8. The analysis uses the IMPLAN input-output model, which by its construct

assumes that all of the population (new and old, and low income and high income) would have identical patterns of spending. Such an assumption overestimates the multipliers and the resulting economic impact if the new employees are part-time residents or have their families staying in other areas, which I understand to be a fairly frequent situation for gas drilling workers.

It is unfortunate that several important and potentially negative economic impacts are not directly quantifiable, but this makes it even more important to be sure that they have been considered as carefully as possible.

I urge you to postpone any decision-making regarding gas drilling in Broome County until you have thoroughly analyzed all of the potential environmental and economic impacts.

Thank you in advance for your careful consideration of all of the impacts.

Best regards,

Jannette M. Barth, Ph.D.
Catskill Citizens for Safe Energy

Jannette M. Barth, Ph.D., president of J.M. Barth & Associates, Inc., an economic research and consulting firm, has worked in the fields of economic analysis and econometric modeling and forecasting for over 30 years. She received her B.A. from Johns Hopkins University and her M.A. and Ph.D. from the University of Maryland. Several of her former positions include Chief Economist, New York Metropolitan Transportation Authority and Consultant and Account Manager, Chase Econometrics/Interactive Data Corporation. Dr. Barth has also taught various economics courses at both the undergraduate and graduate levels.

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