FACTS MATTER

Deceptive advertising and fake news have one underlying theme. They are leading you to a predetermined conclusion. What are some examples?

Recently, it was suggested that "special interest" groups were leading the fight against fracking in Maryland. Those two words trigger labels like lobbyist, activist, or radical, and the idea that these "special interests" are some minority that does not answer to the community norm. What hasn't been shown is that in the push-back on fracking "special interest" includes: Republicans, Democrats, various religious groups, educators, scientists, farmers, new and established business owners, and a broad cross section of individuals from our community.

State-wide, a need for economic development has been acknowledged, and including living-wage jobs that offer young people opportunities in the communities supported and loved by the previous generation. **Garrett County has seen over 6% growth in tourism in 2016, with real estate making a comeback from historic lows in 2008, up 16% this same year.** The property tax base, which is the lion's share of revenue for Garrett County, is recovering and projected to return to the pre-recession levels in the coming years.

Job growth and population growth go hand-in-hand. Developing sustainable jobs is key to fostering economic expansion. Short-term employment booms seen with fracking bring temporary growth spurts that stunt prosperity of other employment sectors. This shortsighted reasoning runs counter to sound economic development.

In order for any community to properly plan for long-term economic development, it is important to utilize the best and most credible data available. Currently, Garrett County, does not have an understanding about its business economics. An economic study is the only logical way to plan for future development. The county has been looking at conducting an economic study with regards to fracking and its association with tourism and the second home market, but the County Commissioners have now placed that study on hold.

Information that is used to support arguments dealing with fracking must be met with a critical test for accuracy and fact-checked against multiple other research papers and sources. There is data available in West Virginia directly associated with natural gas development. How it has affected employment, unemployment, population, and other demographics associated with gas drilling is paramount. Facts matter.

The American Petroleum Council (API) issued a series of ads (radio and print) using data from studies for which they and other Oil and Gas advocacy organizations paid. The manipulated outcomes polish their image, furthering support for continued development of Oil and Gas. Winning over Maryland as the next drilling frontier would expand their territory on the Marcellus shale play.

In Maryland, the API used a study that was done for the Maryland Natural Gas LDCs (local distribution company) to say in local radio ads,

"…safely producing natural gas here in Western Maryland could mean hundreds of jobs, boosting our local economy." This was part of their campaign asking Maryland residents to *"Say NO to the fracking ban."*

Now, for the cold, hard facts.

There is, however, a conflict in using that study for the point being made in the advertising campaign. The study's purpose was to "specifically calculate the economic and social impacts of an expansion of the natural gas infrastructure on industrial, commercial, and residential users for a projected ten-year period from 2016 through 2026" according to the Executive Summary of the study **"Economic and Fiscal Impacts of Expanding the Natural Gas Infrastructure in Maryland"** released by Towson University, Regional Economic Studies Institute (RESI) in January of 2016.

Abysmal Study Results

In reviewing the study, one learns that the cost-to-benefit ratio was as follows: "Based on the investment of roughly $326.6 million, RESI concludes that the potential total fiscal benefit over the ten-year period would be in excess of $279.8 million." That's a $146.8 million loss.

This was defined in the conclusion found on page 38. The report further broke down the benefits in Appendix "B", entitled Detailed Economic Impacts by the 23 counties and the City of Baltimore on an annual basis to include the number of jobs and wages that would be generated for the study period (2016 – 2026).

Economic and Fiscal Impacts of Expanding the Natural Gas Infrastructure in Maryland

RESI of Towson University

Economic Impact from Natural Gas Expansion by County, 2026

COUNTY	JOBS	OUTPUT	WAGES
Allegany	244	$38.790,854	$17,099,755
Anne Arundel	196	$31,187,846	$13,748,203
Baltimore City	70	$11,091,760	$4,889,461
Baltimore	89	$14,098,983	$6,215,103
Calvert	130	$20,656,130	$9,105,620
Caroline	274	$43,639,710	$19,237,225
Carroll	178	$28,365,812	$12,504,196
Cecil	124	$19,718,684	$8,692,376
Charles	104	$16,486,113	$7,267,396
Dorchester	85	$13,576,799	$5,984,914
Frederick	114	$18,183,213	$8,015,510
Garrett	0	$0	$0
Harford	70	$11,152,370	$4,916,180
Howard	66	$10,473,530	$4,616,934
Kent	128	$20,365,198	$8,977,372
Montgomery	49	$7,789,454	$3,433,741
Prince George's	57	$9,115,851	$4,018,443
Queen Anne's	0	$0	$0
St. Mary's	84	$13,348,617	$4,884,328
Somerset	18	$2,909,314	$1,282,482
Talbot	0	$0	$0
Washington	84	$13,299,721	$5,862,773
Wicomico	87	$13,819,242	$6,091,788
Worcester	0	$0	$0

Sources; REMI PI+, RESI

These charts can be located between pages 50 – 71 and they show that the total economic impacts for Garrett County by 2026 would be zero jobs and zero wages. Garrett County would be ground zero if drilling begins. There were three other counties that had this same result with no economic impact at all: Queen Anne's, Talbot and Worcester.

The validity of the study is not in question, but the use of the information to suggest that fracking would have a potentially positive impact *is*. Combining this study with others to make a single radio advertisement to support a position is deceptive and would have some that are not willing

to validate information believe that by supporting fracking, you are by extension supporting employment opportunities and economic no-brainer.

The jobs argument has been debated since High Volume Hydraulic Fracking came on the scene in 2005. For some regions the debate is over, and there are statistics to show that localized job creation and increased populations are transient at best or downright false.

In an article written December 2012 by Sean O'Leary for The Journal newspaper in West Virginia, Mr. O'Leary outlined some statistics associated with unemployment in four of the counties with the most drilling activity during the period of 2008 to 2012. These four counties, Marshall, Wetzel, Doddridge, and Harrison, represented 87% of the gas development by the end on 2012. Interestingly, these four high-producing counties also shared a combined unemployment rate increase from 4.4 percent to 6.9 percent.

Wetzel County's unemployment showed an alarming rate of 10% while boasting the highest production of natural gas.

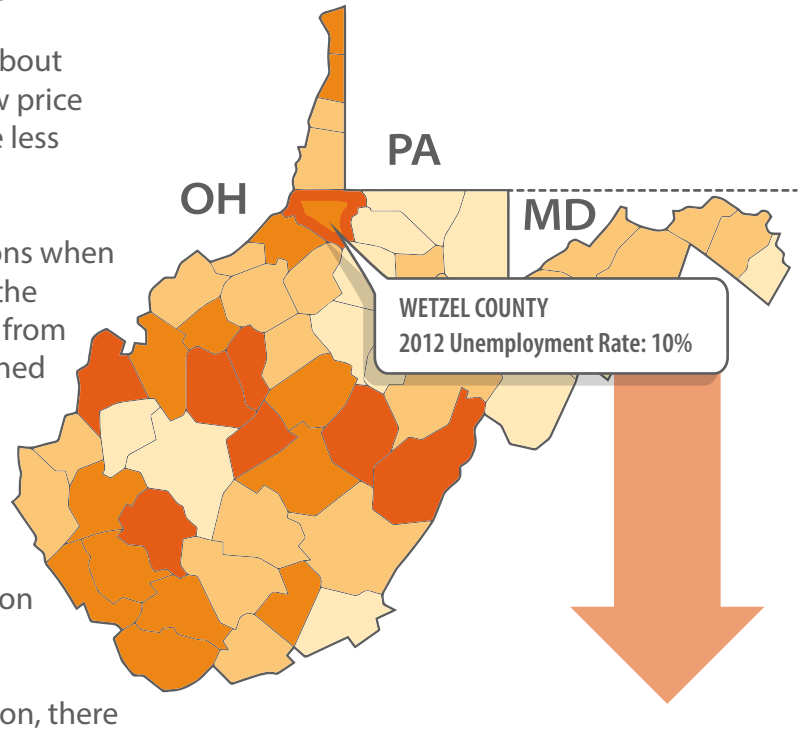
A more recent article by Mr. O'Leary looks at the potential for the "bust" cycle to begin in WV.

A NATURAL GAS BUST MAY BE IMMINENT AND IT'S GOING TO HURT

"In 2009, it was generally supposed that gas prices would never drop below a price of $4/million Btu and they would climb to about $6.50 by 2015. In fact, both the actual low price reached in 2012 and the current price are less than half of those amounts.

Still, those were the prevailing assumptions when researchers led by Timothy Considine of the University of Wyoming and with funding from the American Petroleum Institute, published what was probably the single most influential study of the effects of the fracking boom on West Virginia's economy. That flaw combined with many others about which I've written elsewhere led to predictions of job creation and induced economic activity in West Virginia that now seem absurd. "

"As a result, other than during the recession, there



are now fewer West Virginians working than at any time since 1995."

"As mentioned above we are already in the midst of a plunge in jobs and it's possible the cutbacks by drilling companies will accelerate the dive. With natural gas production expected to expand by only about 13% in the coming year and with prices more than a third below levels that had once been budgeted, it's likely that the severance tax will continue to disappoint and in doing so will drive up the state's budget deficit that leaders are already scrambling to plug with measures such as an employment freeze that only further reduces the number of jobs in the state."

West Virginia has used the severance taxes from natural gas development to supplement budget shortfalls in other areas. The subsequent plunge in development and lower prices for produced gas have led the state to begin cutting services and implement hiring freezes to help offset the shortfalls.

In a follow up article,

MORE JOBS IN WEST VIRGINIA . . . BUT NOT FOR WEST VIRGINIANS,

Mr. O'Leary looks at the jobs claims offered by the state, but questions the number of West Virginians that continue to be unemployed.

"The politicians base their rosy claim on the Bureau of Labor Statistics "Establishment Survey" in which businesses are asked to report how many jobs they have on their payrolls. And, sure enough, the Establishment Survey shows that employment in West Virginia is nearly at an all-time high. But...the number of jobs held by West Virginians had declined to about the same level we saw during the recession and, prior to the recession, to a level that has not been seen since 1995.

But, if the jobs are being created, why aren't West Virginians getting them? "No one knows the answer to that question. It's possible and even likely that many of the jobs created by the natural gas boom are going to non-residents."

My Land, My Rights! Or are they?

In West Virginia, nearly 75% of the mineral rights are owned by out-of-state resident, companies and corporations. Nearly all of the natural gas developers are out-of-state corporations and many of the workers come into the state with those out-of-state companies. Elected officials had budgeted, in part, severance taxes, sales taxes, and wage taxes based on numbers supplied by the API funded study entitled "The Economic Impacts of the Marcellus Shale: Implications for New York, Pennsylvania, and West Virginia; A Report to The American Petroleum Institute (July 2010)."

Now, West Virginia is reeling from over-development of natural gas and plummeting prices, with development slowing to a crawl. Many of the out-of-state workers have returned home and unemployment continues to rise in the state they left behind. Additionally, The Mountain State's recent census shows that resident population continues to decline with a net loss of nearly 10,000 resident between July 2015 to July 2016.

It's not about JOBS at all!

Several Western Maryland Legislators and elected officials have recommended that Maryland should follow suit with its neighboring states of Pennsylvania, Ohio, and Western Virginia by pursuing economic development associated with natural gas extraction. Maryland's Senate President, Mike Miller, broadcasted that Western Maryland doesn't have any jobs and suggested natural gas development would be the solution. Perhaps many of these officials have been listening too closely to the ads popping up on local radio, on-line, and on social media.

Before touting the benefits of natural gas development as it's portrayed by the recent API ads, one simply needs to look across the border to see how it turned out for West Virginia. The facts paint a very different picture. And, facts matter.

Fully accessible statistics are available from Federal Reserve Bank of St. Louis; Economic Research, which includes a county-by-county review of West Virginia.
https://fred.stlouisfed.org/categories/30376

Learn more by visiting engageMMD.org
Join us on Facebook and Twitter

engage
MOUNTAIN MARYLAND