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# Economic impact of Fayetteville Shale activity

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Written by Jessica Johnson

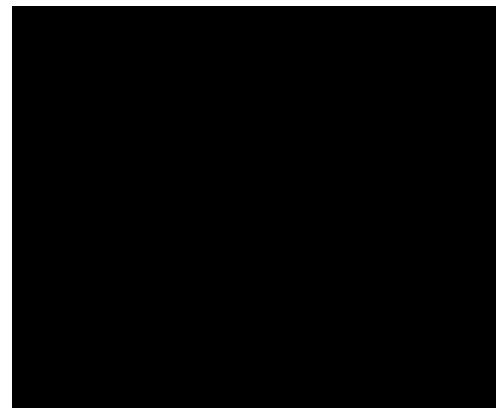
Written by Paul Ritter

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Morrilton, Ark. (KTHV) - There's no question that there's been plenty of controversy surrounding natural gas production in the Fayetteville Shale. But a report out this week from the University of Arkansas says that there's also been plenty of economic gain; in fact more so than original projections.

We found out that this economic gain includes billions of dollars of investment into Arkansas from energy companies, along with thousands of jobs. And it's come to communities, like Morrilton, where leaders say the impact has kept their town strong, even while our country endures tough times.

A passing train goes through downtown Morrilton Wednesday, one of several communities in Fayetteville Shale country.




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"Cities across the United States are struggling, counties are struggling, we're not," Brandon Baker said.



Brandon Baker is President of the Morrilton-Area Chamber of Commerce. He says this strong position comes from the shale business.

"They employ probably around 2,500 people that reside within Conway County and the City of Morrilton," Baker said.

It's a big jobs boost with new companies in Morrilton like TDX, which hauls water for gas companies. And it's part of an even bigger jobs boost cited in a new University

of Arkansas report.

The report says that from 2008 to 2011, employment tied to Fayetteville Shale activity went from 14,500 jobs to more than 22,000. And total investment in that same period came in at more than \$18.5 billion in exploration and production.

Morrilton High school students are also seeing some gain from the Fayetteville Shale activity through a partnership with the community college in town. It allows students to take classes early on toward a specialized degree in this industry.

"Once they complete the course-work through UACCM they can come into the workforce with a very solid, sizable salary once they step out," Annette Henderson said.

South Conway School District Superintendent Annette Henderson sees growing interest in this college credit and a "leg up" in a reportedly promising career.

The superintendent also says this industry has kept families from having to leave the district and find jobs elsewhere. Baker adds that the county's also seeing strong sales tax revenue and smaller businesses closer to the drilling adding staff to keep up with demand.

Opponents have concerns about the potential for underground water contamination with the fracking process that's part of breaking the shale apart to get natural gas. There are also concerns over increased truck traffic and noise coming into communities. Those are all some of common issues we hear about.

**Below is an excerpt from a release sent to Today's THV by the university:**

*The study, which follows up on a 2008 study by the Center for Business and Economic Research, indicates that companies initially made conservative estimates for their Fayetteville Shale expenditures and that natural gas production in the Fayetteville*



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*Shale increased more than projected despite lower than expected gas prices over that time.*

*In 2008, exploration and production companies planned to invest almost \$9.9 billion in Fayetteville Shale activities from 2008 to 2011. According to the new survey, companies said they invested more than \$12.7 billion during that time - 29 percent more than had been planned.*

*"When we conducted our 2008 economic impact study of the effects of the development of the Fayetteville Shale, the industry participants were facing a very different economic environment," said Kathy Deck, director of the Center for Business and Economic Research. "Natural gas prices were in the \$6 to \$10 range, whereas in 2012, natural gas prices hover around \$2. Despite this challenging price environment, the exploration and production companies invested even more in their Fayetteville Shale properties than their five-year plans indicated back in 2008. Our current study presents a retrospective and shows how important the economic impact of the natural gas industry in the Fayetteville Shale was for the overall economic health of Arkansas during the national recession and recovery."*

*According to the center's 2012 report, exploration and production activities related to the Fayetteville Shale from 2008 to 2011 generated more than \$18.5 billion in total economic activity, exceeding the 2008 projections of \$14.2 billion. Total annual state employment from Fayetteville Shale activity increased from 14,500 to more than 22,000 from 2008 to 2011, higher than the 2008 projection of between 11,000 and 12,000.*

*Overall, from 2008 to 2011, almost \$2 billion in state and local taxes from permit fees and severance, property, income, sales and other taxes were collected as a result of Fayetteville Shale activities. This is higher than the \$1.2 billion projected in the 2008 study, following higher than projected expenditures by companies in the area and higher total employment.*

*The current study says that from 2004 to 2011, 4,878 drilling permits were issued in Fayetteville Shale counties by the Arkansas Oil and Gas Commission, generating fees to the state of almost \$1.5 million, and the state received more than \$90.8 million in severance tax revenues from activity in the region.*

*According to 2012 responses, exploration and production expenditures are projected to be lower in 2012 than in 2011 by 23.8 percent due to sustained lower natural gas prices. However, projected expenditures are still 5.8 percent higher than the level of expenditures for 2012 that companies estimated in 2008.*

*The report says Fayetteville Shale activities of the oil and gas industry have been important to Arkansas because:*

*Average annual pay in the oil and gas extraction industry was \$74,555 in 2010, twice the average pay of all industries in the state.*

*Mineral leases and royalty payments provide additional income to Arkansas residents. The study says that over the 2008-2011 period more than \$1.2 billion in mineral leases and royalty payments were made to mineral owners in all 75 counties.*

*The higher average annual pay, income from leases and royalties and other factors result in higher personal incomes, which lead to larger personal expenditures, increasing sales tax collections.*

*The mining, quarrying and oil and gas extraction industry had the highest growth rate in payroll employment among all industries in Arkansas. From 2001 to 2010, mining, quarrying and oil and gas extraction industry employment increased 116.8 percent, from 3,855 to 8,358 payroll employees, while overall employment in the state increased by 0.6 percent, or 6,920 employees.*

*"To put this in perspective, from 2001 to 2010, the state of Arkansas experienced only tepid growth in employment. Without the employment associated with the exploration and development of the Fayetteville Shale, Arkansas would have suffered a 'lost decade' where employment at the end of the period was lower than employment at the beginning," Deck said.*

*Deck's research team combined information from industry participants with publicly available employment statistics and tax data to use as inputs to the IMPLAN input/output model. This widely used economic model allows the estimation of economic multipliers on direct expenditures in an economy by computing indirect (supply chain) and induced (personal expenditure) effects.*

*The nine Arkansas counties included in the Fayetteville Shale area by the report are Cleburne, Conway, Faulkner, Franklin, Independence, Jackson, Pope, Van Buren and White. The complete Fayetteville Shale economic impact study can be found at <http://cber.uark.edu>.*