ENERGY BOOM: 
THE BURDEN OF RICHES
ENERGY – A TEXAS INDUSTRY

Texas' Gross Domestic Product (2012)

Mining & Utilities 15.3%

Services 19.2%

F.I.R.E. (Finance, Insurance, and Real Estate) 12.2%

Information 3.1%

Transportation & Warehousing 3.4%

Retail 4.4%

Wholesale 5.6%

Manufacturing 13.9%

Construction 4.6%

Food and Fiber System 8.3%

Government 10.1%

Services 19.2%

F.I.R.E. (Finance, Insurance, and Real Estate) 12.2%

Information 3.1%

Transportation & Warehousing 3.4%

Retail 4.4%

Wholesale 5.6%

Manufacturing 13.9%

Government 10.1%
TEXAS DRILLING ACTIVITY, 1960 - 2013
ENERGY – A TEXAS INDUSTRY

Permian Basin
Granite Wash
Barnett
Cline
Haynesville/Bossier
Eagle Ford
CHANGE IN THE VALUE OF ONSHORE OIL AND GAS PRODUCTION, 2000-2011

Note: To convert amounts to values, an average 2000-11 inflation-adjusted national price for oil (first purchase price) of $5.80/Mcf and gas (wellhead price) of $57.90/barrel was applied to the county-level change in production over the 2000-11 period.
PRODUCING OIL WELLS
COMMUNITIES WISH THEY’D KNOWN

- Magnitude and characteristics of the population influx
- Need for hotels and housing
- Traffic congestion and safety and road wear
- Higher wages and higher prices
- Industry-switching (employees to oil industry)
- Water quality
- Law enforcement needs
- Loss of rural lifestyle and community pride
AGENTS WISH THEY’D KNOWN

- Oil & gas leases
- Easement and right-of-way laws and issues
- Groundwater concerns
- Socio-economic impacts across economy
  - Estimating rangeland damages
  - Fewer hunting leases
  - What the energy sectors bring to the economy
- Needs of families
  - Wealth management
  - Insecurity of poor families
- All the resources that are available
UNEMPLOYMENT RATES

- Texas
- Bee County
- Burleson County
- DeWitt County
- Dimmit County
- Duval County
- Gonzales County
- Karnes County
- Maverick County
- Milam County
POVERTY RATE – ALL AGES

Graph showing the poverty rate for various counties in Texas from 2008 to 2012. The counties are: Bee, DeWitt, Dimmit, Duval, Frio, Goliad, Gonzales, Karnes, LaSalle, Live Oak, Maverick, Webb, Wilson, Zavala.
POVERTY IN THE PRESENCE OF WEALTH

- Poverty rates have not dropped substantially
- Median incomes have increased
- Rents and other prices have increased
- Thus, the poor may be at a greater disadvantage, compounded by
  - Disability
  - Age (elderly and youth)
  - Skill deficiencies
  - Drug use
  - Criminal records
WEALTH PLANNING

HOW DRILLING AFFECTS TX INDUSTRIES

- Drilling oil and gas wells
- Food services and drinking places
- Architectural, engineering, and related services
- Wholesale trade businesses
- Securities, commodity contracts, investments, and related activities
- Real estate establishments
- Legal services
- Transport by truck
- Employment services
- Offices of physicians, dentists, and other health practitioners
SALES GROWTH A RURAL WIN

Gross Sales, $

- Eagle Ford
- Metro
- Micro
- Rural

VARIABILITY IN SALES GROWTH
VARIABILITY IN SALES GROWTH

Gross Sales by City in Four Eagle Ford Counties

- Nordheim 307
- Runge 1080
- Falls City 591
- Goliad 1975
- Yorktown 2092
- Karnes City 3042
- Yoakum 5815
- Kenedy 3296
- Cuero 6841
- Beeville 12863
VARIABILITY IN SALES GROWTH

Gross Sales by City in Gonzales County

Gonzales 7265
Nixon 2567
Waelder 1177
Smiley 500
LOCAL TAXES AND EXPENDITURES

- Sales taxes change according to taxable sales levels
- Property taxes
  - Property values increase
  - Addition of mineral property in production to tax roles
  - Tax rates have generally declined
  - Total levies across the districts have generally increased
- Local expenditures have also increased
  - Roadways - $426,052.54 to mill and resurface a two-lane rural road with 5' paved shoulders (Florida DOT)
  - Other infrastructure needs - water, sewer, etc.
  - Law enforcement
  - Wage pressure from higher energy wages
TIPS FOR LOCAL GOVERNMENT

- Know the industry and the pitfalls and best practices from other regions.
- Identify stakeholders, including potential winners and losers.
  - Industry, environmental, emergency management, and other governmental contacts
  - Landowners and mineral owners
  - Schools and educational and workforce agencies
  - Chambers, EDCs, businesses
  - Citizens with limited potential benefits
- Evaluate your ability to assess and act on local conditions.
  - Road posting and bonding
  - Land use
  - Workforce training and business development
  - Immediate and long-range projections
- Establish open communication and transparent systems to prioritize and monitor issues.
WHAT AGENTS ARE DOING

- Leasing and easement seminars
- Water screening programs
- Financial/estate planning for instant wealth
  - Lessors
  - Oilfield employees
- Site reseeding programs
- Programs on the facts of fracking and disposal
- Community beautification and pride programs
- Recruited 4-Hers
- Got the oil companies to sponsor county programs
- Alliances with Chambers and Main Street programs
RESOURCES

• Community and Economic Development
  http://communities.tamu.edu/

• Texas Rural Leadership Program
  http://trlp.tamu.edu/

• FCS Money Management
  http://fcs.tamu.edu/money/index.php
THANK YOU

Rebekka Dudensing
Assistant Professor & Extension Economist - Community Economic Development
(979) 845-1719
rmdudensing@tamu.edu