



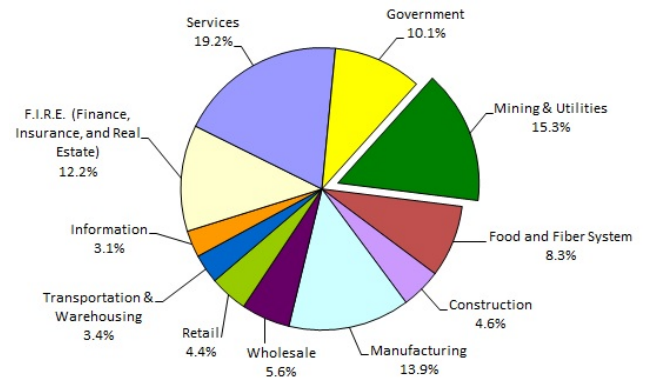
Energy Development: An Opportunity for Strong Leaders

Energy development has created new economic opportunities for many Texans, including mineral royalties, jobs and wages, and higher tax income. However, these benefits have also posed unanticipated challenges for communities, including increased traffic, infrastructure burdens, and inequality among residents. Most of these advantages and challenges are not unique to the energy industry but are common across economic development initiatives from tourism to research parks. The tension between economic growth and preserving quality of life is widespread. Strong local leadership—based on relationships, grounded in facts, and focused on the greater good—is key to maximizing long-term advantages and managing potentially negative consequences.



Energy in the Texas Economy

Mining and utilities is the second largest sector in the Texas economy, behind the broad services sector. However, a number of services, including accounting and law firms, serve the mining sector. In 2012, the mining and utilities sector accounted for 15.3 percent of the state's gross domestic product (GDP), contributing \$224.0 billion of the \$1.46 trillion Texas GDP. Within the sector, oil and gas extraction totaled \$155.7B in the state. In 2008, mining and utilities comprised 14.2% of GDP but only \$170.7 billion (\$113.6 billion for oil and gas extraction).



Texas GDP shares, 2012. Source: BEA data.



Poverty Amidst Wealth

The oil and gas boom is often associated with large mineral leases and high oilfield wages that, in turn, drive up wages in other sectors. But poverty and unemployment have remained stubbornly high in many energy boom counties. In fact, the poor can be worse off as rents and other prices increase. Inequality increases as median incomes rise. Poor households' disadvantages can be compounded by disability, age, skill deficiencies, drug use, or criminal records—all factors that can inhibit participation in the labor force. Even families who receive higher incomes may need financial education to spend and save wisely.



Employment and Business Growth

Many businesses, especially restaurants and hotels, have seen substantial sales growth as a result of the energy boom. Sales (and sales tax) growth has generally been most significant in larger, county-seat-type communities. While restaurants, retail establishments, and many services can pass on the costs of higher wages and rents to employees, businesses that export products outside the immediate region are often



unable to pass on costs to customers and may be less competitive. Manufacturing establishments, for example, have struggled for a variety of reasons, one of which may be competition for labor. At the same time, firms that serve the energy sector have done well. Communities' long-term prosperity and firms' continued success may depend on their ability to modify goods and services to serve new markets as drilling moves to new regions.

Local Taxes and Expenditures

The state collects severance taxes. Counties, school districts, and other local jurisdictions collect property taxes. These jurisdictions may benefit from larger tax levies on minerals in production and increased real estate values. Sales tax collections may also increase. However, the cost of infrastructure has been a challenge for many counties and cities, which may encounter increased demand for water, law enforcement, and road maintenance. A Florida DOT report noted costs of \$426,052.54 per mile to mill and resurface a two-lane rural road with 5-foot paved shoulders.

Agent Responses to Community Needs

In response to the opportunities and challenges facing their counties, Extension agents are providing a variety of educational programming:

- ▶ Leasing and easement seminars
- ▶ Water screening programs
- ▶ Financial/estate planning for instant wealth, both for lessors and oilfield employees
- ▶ Site reseeding programs
- ▶ Programs on the facts of fracking and fluid disposal
- ▶ Community beautification and pride programs
- ▶ Youth/4-H programs for new populations
- ▶ Alliances with Chambers and Main Street programs
- ▶ Programming sponsorships from energy companies

State specialists are available to help agents develop evidence-based programming to support communities and families encountering the energy industry and other community and economic development opportunities. Community development precedes economic development, and leadership is the key to successful change.

To learn more:

- Rural Communities
<http://ruralcommunities.tamu.edu/>
- 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>

Additional Resources:

- Lease Negotiation, Wealth Management, and Environmental Topics
TAMU Real Estate Center
<http://recenter.tamu.edu/pubs/>
Penn State
<http://pubs.cas.psu.edu/PubSubject.asp?varSubject=Energy%20and%20Natural%20Resources>
- Drilling statistics and programs - Texas Railroad Commission
<http://www.rrc.state.tx.us/oil-gas/>
- Sales tax collections data Texas Comptroller -
<https://mycpa.cpa.state.tx.us/allocation/HistSales.jsp>
- Poverty and demographic statistics – Census Bureau
<http://factfinder2.census.gov>
<http://www.census.gov/did/www/saipe/data/>
- Unemployment statistics – Bureau of Labor Statistics
<http://data.bls.gov/map/MapToolServlet?survey=la&map=county&seasonal=u>
- Road maintenance costs - ARTBA
<http://www.artba.org/about/transportation-faqs/#20>

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