

**POTENTIAL FUNDING NEEDS OF LOCAL GOVERNMENTS AS A RESULT OF HYDRAULIC FRACTURING
OPERATIONS AND SOURCES OF REVENUE TO MEET THOSE NEEDS**

**NC Mining & Energy Commission, Funding Levels & Potential Funding Sources Study Group
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With the establishment of hydraulic fracturing operations in a community comes the potential for impacts, some more certain than others, to the demands upon and, therefore, the expenditures of local governments. The following is a list of needs seen in other states along with other potential needs and possible revenue options for each. In addition to the following new revenue sources, local governments should retain their authority to assess the same taxes and fees upon hydraulic fracturing businesses as they do upon any other businesses in their communities.

Hazardous materials cleanup – Financial assurance

Any industrial operation involving the use of hazardous materials creates the possibility of accidents and the need for environmental cleanup. Drilling companies should be required to establish financial assurance, such as bonds, to cover the costs of any cleanup that would be necessary.

Hazardous materials training – Set-aside from state revenue stream

Local government emergency responders would be the first to arrive at the scene of a needed cleanup and would need advanced training to properly carry out the cleanup. A portion of the funds from any state-assessed fee for hydraulic fracturing operations should pay for necessary training.

Damage to roads from heavy trucks – Financial assurance

The frequency of trips by large trucks travelling to and from drilling sites will likely cause damage to roads and supporting infrastructure. Companies should be required to provide financial assurance such as bonds to cover repairs needed as a direct result of heavier and more frequent truck traffic.

Additional workload to local governments – Operating fee

While more difficult to ascertain because of the infancy of this industry in North Carolina, counties and municipalities will see some increased workload in various areas of services. Potential need for increased services could be in the areas of more frequent and complex tax revaluations, more frequent well testing of both community and private wells, and more frequent applications for register of deeds services. Local governments should be authorized to charge an operating fee to hydraulic fracturing businesses in their boundaries. A cap on such fees could be set in statute to prevent exorbitant fees from prohibiting operations in a community.

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