

MEC Funding Levels & Potential Funding Sources Study Group
Local Government Impact Fees portion of draft report

I. b. Local Government Cost

Eligible uses by counties & municipalities of an impact fee:

- i. Transportation infrastructure upgrades & repair
- ii. Waste handling
- iii. Hazmat training
- iv. Emergency response
- v. Training of local government staff – tax assessors, registers of deeds, inspectors/code compliance officers
- vi. Increase in local government personnel or overtime needed – tax assessors, registers of deeds, well testers, inspectors/code compliance officers

Other unforeseen uses of impact funds should be allowed, with a required justification process, given that this industry is in its infancy in North Carolina. Cleanup & remediation costs should be covered by bonding and severance tax proceeds.

II. b. Impact Fees

Early discussions of how to meet cost needs of local governments from the establishment and operation of a hydraulic fracturing industry in North Carolina focused on a model of each individual government assessing an impact fee on businesses operating within its jurisdiction. As the study group realized that the impacts to each government would vary drastically, particularly considering that municipalities, but not counties, would be responsible for damage to transportation infrastructure, it became apparent this would not be practical.

Permittees for hydraulic fracturing should pay an impact fee as part of permit applications at an amount determined by a measure based on level of activity, not production. The fee will go into a central fund managed at the state level, designated for local government impacts, and kept separate from the severance tax to fund state expenses.

Counties and municipalities would access this source of revenue through an application process. They would have to demonstrate how the needed use of funds was created by fracturing activities and would not exist otherwise. While the standard means of distribution would be by reimbursement, an option for advancement of funds should be available if a local government can demonstrate need.