



A dynamic economic systems community impact model applied to coal development in the Northern Great Plains
by George Sterling Temple

A thesis submitted in partial fulfillment of the requirements for the degree of DOCTOR OF PHILOSOPHY in Applied Economics
Montana State University
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Abstract:

ABSTRACT Large-scale coal mining and energy-related development may have substantial impacts on the predominantly rural Northern Great Plains. This dissertation investigates the impacts likely to occur in localities in this region, including both economic effects and fiscal consequences for governments.

The methodology employed is computer simulation. The simulation model is composed of an economic base submodel which determines labor requirements; a labor supply submodel which is used to predict employment/population ratios, migration and wages; a local government spending submodel; and a revenue submodel.

The model is used to predict economic and fiscal responses to forecasted coal mining in Montana. The dissertation concludes with an analysis of policy issues important in a rapid growth region.

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TABLE OF CONTENTS

	<u>Page</u>
VITA	ii
ACKNOWLEDGEMENTS	iii
LIST OF TABLES	vi
LIST OF FIGURES	viii
ABSTRACT	ix
 CHAPTER 1: INTRODUCTION	 1
Objectives and Statement of Purpose	8
Justification for the Study	8
 CHAPTER 2: THEORETICAL ANALYSIS	 11
Labor Demand	12
Labor Supply	17
Local Government Spending	22
 CHAPTER 3: ECONOMETRIC ANALYSIS	 24
Data	24
Estimation Models	25
Ancillary Employment	26
Employment Participation Rates	30
Net Migration	31
Local Government Spending	36
 CHAPTER 4: TAX SYSTEMS OF MONTANA, NORTH DAKOTA, AND WYOMING	 38
Coal Taxation Comparison	40
School Foundation Programs	47
The Model Tax Base	53
 CHAPTER 5: THE SIMULATION MODEL	 54
The Complete Model	54
Historical Simulation	59
Monte Carlo Methods	63

TABLE OF CONTENTS (cont'd.)

	<u>Page</u>
CHAPTER 6: COAL DEVELOPMENT IMPACTS IN MONTANA	68
Mining Projections to 1985	69
Impact Analyses to 1985	72
Summary	80
CHAPTER 7: BOOMTOWN POLICY	85
Benefits	85
Costs	86
Impact Policies: Theory	91
Impact Policies: Applications	95
Other Policy Issues	100
CHAPTER 8: CONCLUSION	105
Model Summary	105
Impact Summary	108
Suggestions for Additional Research	111
Conclusion	116
APPENDICES	117
Appendix A: Northern Great Plains Counties	118
Appendix B: The System of Equations	122
Appendix C: Impacts of Anticipated Coal Development in Montana	126
Appendix D: Effects of Alternative Mining Development in a Hypothetical Montana County	132
BIBLIOGRAPHY	136

LIST OF TABLES

<u>Table</u>		<u>Page</u>
1	Sources of coal for new thermogenerating units, scheduled for service 1976-1985	5
2	Estimating equation for ancillary employment in Northern Great Plains counties, 1971-74	29
3	Estimating equation for relative employment participation rates in the Northern Great Plains counties, 1971-74	32
4	Estimating equation for net migration in Northern Great Plains counties, 1971-74	34
5	Estimated coefficients of annual expenditures for counties and schools, Northern Great Plains, 1971-74	37
6	Comparison of local jurisdiction property tax mine revenue sources over three states: tax base	41
7	Direct state levies on coal mining and distribution of revenues, 1980, Montana, Wyoming and North Dakota	43
8	Direct state taxes per \$6.95-ton on coal, 1980, Montana, Wyoming, North Dakota	45
9	Historical simulation test for goodness of fit	62
10	Monte Carlo simulation results, selected years	66
11	Anticipated Big Horn county mines, 1985	70
12	Differences due to additional mining in Rosebud county, selected variables	73
13	Calculated revenue per capita by jurisdiction and by selected mill levies, Rosebud county	76
14	Big Horn county population and expenditures with anticipated levels of coal development, 1975-1985	78

LIST OF TABLES (cont'd.)

<u>Table</u>	<u>Page</u>
15 Big Horn county direct tax revenues from coal mines, selected millage rates with anticipated coal development 1975-1985	79
16 The differences in impacts on Sheridan county due to coal mines in Big Horn county, selected variables, 1975-85 . .	81
17 Direct state mine tax revenues	83
18 Constant level of coal mining and labor market and fiscal responses, 1975-85, Rosebud county	127
19 Anticipated mining and labor market and fiscal responses, 1975-85, Rosebud county	128
20 Anticipated mining, constant basic employment and labor market and fiscal responses, 1975-85, Big Horn county . .	129
21 Anticipated mining and labor market and fiscal responses, 1975-85, Sheridan county, not including miners from Big Horn county mines	130
22 Anticipated mining and labor market and fiscal responses, 1975-85, Sheridan county, with miners from Big Horn county included	131
23 One mine starting in 1975 in a standard coal county, Montana, and labor market and fiscal responses, 1975-90 .	133
24 Four mines starting in 1975 in a standard coal county, Montana, and labor and fiscal responses, 1975-90	134
25 Four mines starting sequentially in a standard coal county, Montana, and labor market and fiscal responses, 1975-90	135

LIST OF FIGURES

<u>Figure</u>		<u>Page</u>
1	Surface Movable Coal Deposits, Montana/Wyoming Portion of the Northern Great Plains	2
2	Flow of Coal to New Generating Units from the Western Regions of the Northern Great Plains, Thousands of tons	4
3	Conditions Influencing Local Supply of Ancillary Services	16
4	Expected Labor Supply Response in Low Income Areas . . .	20
5	Montana School Revenue and Foundation Program, Three Hypothetical School Districts	49
6	North Dakota School Revenue and Foundation Program, Three Hypothetical School Districts	50
7	Wyoming School Revenue and Foundation Program, Three Hypothetical School Districts	52
8	Interrelationships Among Components of the Simulation Model	55

ABSTRACT

Large-scale coal mining and energy-related development may have substantial impacts on the predominantly rural Northern Great Plains. This dissertation investigates the impacts likely to occur in localities in this region, including both economic effects and fiscal consequences for governments.

The methodology employed is computer simulation. The simulation model is composed of an economic base submodel which determines labor requirements; a labor supply submodel which is used to predict employment/population ratios, migration and wages; a local government spending submodel; and a revenue submodel.

The model is used to predict economic and fiscal responses to forecasted coal mining in Montana. The dissertation concludes with an analysis of policy issues important in a rapid growth region.

Chapter 1

INTRODUCTION

A debate continues in the United States over the domestic dependence on foreign energy supplies. The creation of a Federal Department of Energy is symptomatic of the importance of the issue. Most analysts conclude that increased use of domestic coal as one substitute for oil is inevitable. This study concerns the impacts expected to result from major coal development. The study area is the Northern Great Plains (NGP), defined as North Dakota and parts of Montana and Wyoming.

Coal is likely to be more important in the future than it is now, although coal is currently the most important source of energy for generation of electricity. Electricity usage has grown steadily even in the face of rising prices. Uncertainty about foreign intervention in the delivery of oil and gas may lead to conversion to coal use even if such fears are unfounded. Canadian petroleum supplies are currently being phased out. Coal use is being urged by governmental authorities as an energy source not subject to foreign political interruption. Finally, present air quality standards and the possibility of more stringent standards would lead to greater use of low-sulfur coal.

The NGP, especially Montana and Wyoming, is likely to be a major supplier of low-sulfur coal to the nation (figure 1).

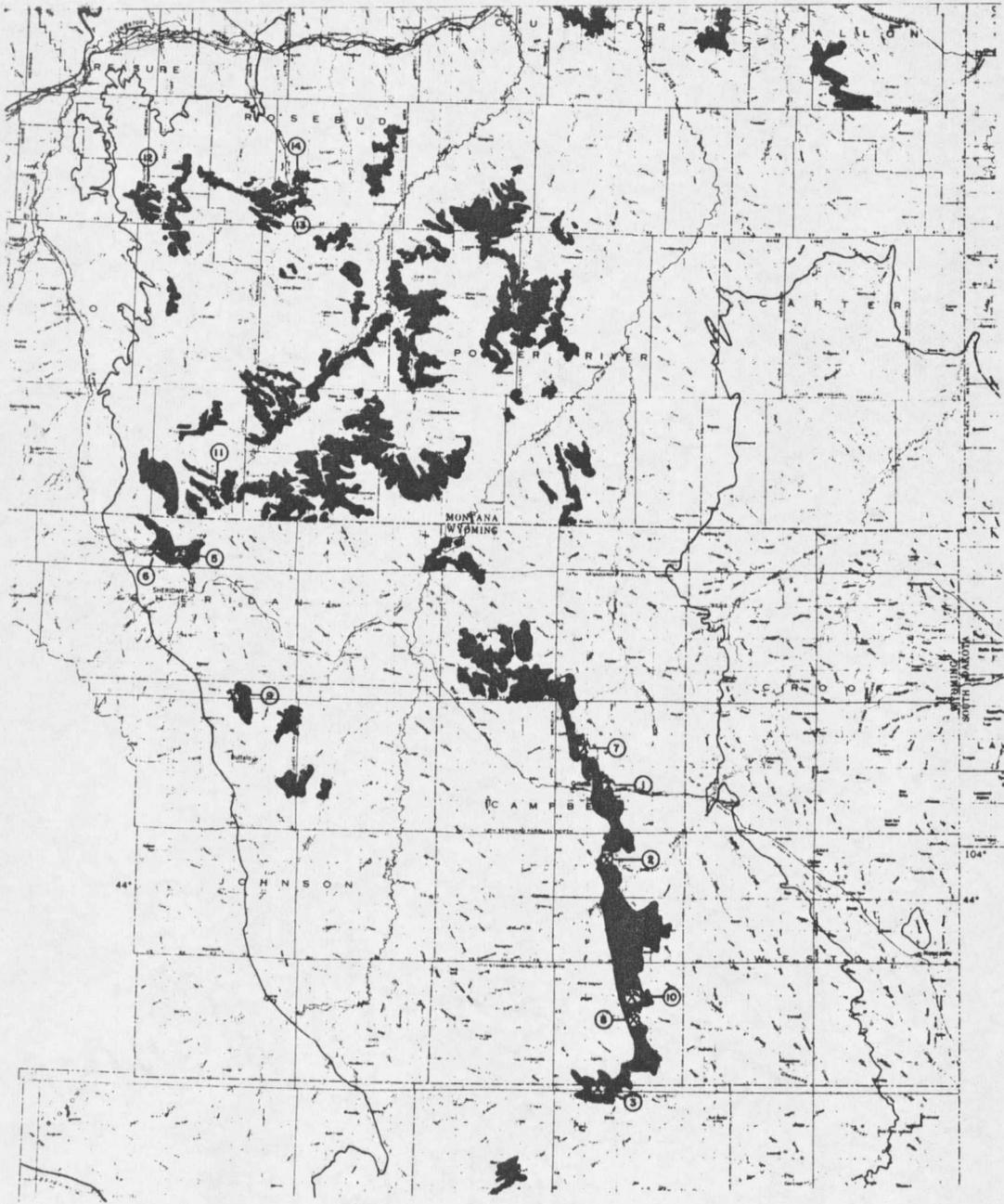


Figure 1. Surface Minable Coal Deposits, Montana/Wyoming Portion of the Northern Great Plains. Source: U.S. Geological Survey.

Part of the demand will be the substitution of low-sulfur coal for high-sulfur coal and oil. But NGP coal also will satisfy the needs of new generators (figure 2). The NGP is expected to be the source of 45 percent of the coal demanded by new generating units in the U.S. through 1985 -- 159 million tons (table 1). More than 72 percent of this is already under contract, and is a much greater tonnage than any other region is expected to supply.

The NGP is capable of supplying the demand for low-sulfur coal due to the size of the deposits and low costs of mining. Favorable seam to overburden ratios of NGP deposits reduce mining costs. The five states of Montana, the Dakotas, Wyoming and Idaho contain almost one-third of the currently recoverable U.S. bituminous and subbituminous coal deposits containing less than one percent sulfur standardized for BTU content (Reiber, 1975). Most of this coal is concentrated in the study area. Forecasts of productive capacity of mines currently scheduled in Montana, North Dakota and Wyoming show a potential production of almost 450 million tons annually by 1985 (U.S. Federal Energy Administration, 1977).

Population growth primarily due to immigration will accompany coal development in the NGP. Population growth and new development will reverse trends in an historically stagnant region. Myers, Hines, and Conopask (1977) describe the region as a net exporter of

