

## 5. ECONOMICS

### Personal Income

Personal income, which is the total income received by persons from all sources is on the rise in Richland County. Between 2000 and 2004 the personal income of Richland County residents grew faster than the state as a whole.

**Table 5.1 Per Capita Income 2000-2004**

						% Change	Rank in State
	2000	2001	2002	2003	2004	2000- 2004	2004
Montana	\$ 22,929	\$ 24,676	\$ 25,065	\$ 26,177	\$ 27,657	20.6%	
Richland 16 eastern Montana counties	\$ 21,480	\$ 23,038	\$ 23,095	\$ 25,279	\$ 27,534	28.2%	17
					\$ 26,094		

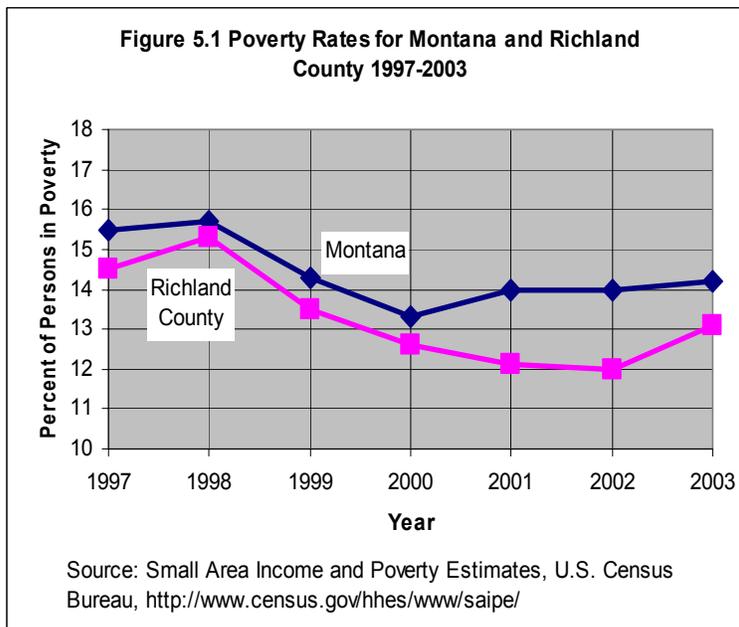
Source: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce; <http://www.bea.gov/bea/regional/reis/CA1-3fn.cfm>

Richland County has also edged closer to the national per capita income. In 1995, Richland county per capita income was 72% of the national per capital income. In 2004, it was 83% of the national per capita income.

**Table 5.2 Per Capita Income as a Percent of U.S. Per Capita Income**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Montana	80	79	78	79	77	77	81	81	83	84
Richland	72	75	75	76	75	72	75	75	80	83

Source: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce; <http://www.bea.gov/bea/regional/reis/CA1-3fn.cfm>



Poverty status is defined by family; either everyone in the family is in poverty or no one in the family is in poverty. The characteristics of the family used to determine poverty status are: number of people, number of related children under 18, and whether the primary householder is over age 65. An income threshold is determined given a particular family's set of characteristics; if that family's income is below that threshold, the family is in poverty. In 2003, the average poverty threshold for a family of four was

\$18,810. For a single person 65 years or older the average was \$8,825.  
 (<http://www.census.gov/hhes/www/saipe>)

Higher personal income usually means lower poverty rates. (Ockert) Although per capita income rose each year from 2000 to 2004, the rate of poverty declined from a high in 1998 and then rose again to 13.1% in 2003, the most recent year for which poverty data area available at this time. Although Richland County's poverty rate is generally lower than the state of Montana's rate of poverty, the trend is for both to be consistently higher than the national poverty rate. In 2004, the national poverty rate was 12.5%, compared to Richland County at 13.1%, and the state at 14.2%.  
 (<http://www.census.gov/hhes/www/saipe>)

### Components of Personal Income

Personal income comes from three basic sources: 1) work earnings, 2) dividends, interest and rent, 3) transfer payments. Transfer payments are primarily retirement related (pensions and Medicare), but also include disability insurance, income maintenance programs (i.e. welfare), and payments to nonprofit institutions. Dollar amounts for transfer payments and dividends, interest, and rent increased between 2001 and 2004, but they comprised a smaller portion of the overall total income in 2004, and worker earnings comprised a larger portion of the total.

**Table 5.3 Components of Personal Income**

(all amounts in thousands of dollars)	2004	% of Total	2001	% of Total
Earnings by place of work	176,345		144,868	
less: Contributions for government social insurance	21,674		17,318	
Employee and self-employed contributions for government social insurance	10,412		8,539	
Employer contributions for government social insurance	11,262		8,779	
plus: Adjustment for residence /1	-1,297		192	
equals: Net earnings by place of residence	153,374	61.4%	127,742	58.7%
plus: Dividends, interest, and rent	51,928	20.8%	48,496	22.3%
plus: Transfer payments	44,628	17.9%	41,314	19.0%
Total Personal Income	249,930	100.0%	217,552	100.0%

Source: U.S. Bureau of Economic Analysis, Regional Information System. Table CA5.

/1 The adjustment for residence is the net inflow of the earnings of interarea commuters

Weekly wages by employment sector are shown in Table 5.4. Utilities, mining, and federal government jobs are the highest paying in the county.

**Table 5.4 Richland County 2005: Average Weekly wage and Number of Jobs by Sector**

Industry	Average Weekly Wages	#jobs
Utilities	1,218	53
Mining	1,024	326
Federal Government	846	105
Transportation and Warehousing	795	213
Construction	689	389
Professional and Technical Services	643	140
State Government	616	34
Finance and Insurance	593	96
Manufacturing	589	333
Wholesale Trade	523	127
Information	497	58
Local Government	483	539
Health Care and Social Assistance	459	639
Administrative and Waste Services	446	34
Retail Trade	410	518
Real Estate and Rental and Leasing	395	56
Agriculture, Forestry, Fishing & Hunting	354	50
Other Services, Ex. Public Admin	262	143
Arts, Entertainment, and Recreation	232	78
Accommodation and Food Services	164	445
Educational Services	55	5

Source: Montana Department of Labor, Labor Market Information, [www.ourfactsyourfuture.org/](http://www.ourfactsyourfuture.org/)

## Labor Force

Labor force information is based on place of residence. The Richland County labor force data include persons who live in Richland County but work elsewhere, and does not include persons who work in Richland County but who are not residents. In 2005, there was a labor force of 5,186 in Richland County, of which, 5,012 were employed. Between 2001 and 2005 there was a 7.1% increase in the labor force in Richland County.

Current numbers of non-residents working in Richland County is not known. Once every ten years, the decennial census tracks workplace flows. In 2000, approximately 290 persons worked in Richland County, but listed another location as their place of residence. Of those, 160 came from McKenzie County and Williams County in North Dakota.

The Montana Department of Labor provides Current Employment Statistics that includes a monthly count of persons on nonfarm establishment payrolls. It is a count of jobs by place of work, not people. Individuals could be counted multiple times if they hold more than one job. Self-employed, unpaid volunteer or family workers, domestic workers in

households, military personnel, and persons who are laid off, on leave without pay, or on strike are not included in the data.

One way to estimate non-resident workers is to compare the difference over time in the labor force compared to the number of jobs (Eldredge). In 2001 there were 3,154 jobs in Richland County. By 2005 the number had increased by 548, while the total number of persons in the labor force had increased by 345. The difference between the increased number of jobs and the increased number of persons in the workforce between 2001 and 2005 was approximately 200. Of these 200 jobs, some may be held by residents who hold more than one job and some are held by non-residents. There is a general understanding in the county that there has been a considerable increase in non-resident workers, as evidenced by the increase in demand for all types of housing and temporary lodging. There could be more non-residents working in the county than 200, because some jobs may be listed by the company location. It is known that many out-of-county companies are actively working on oil drilling, exploration, and support industries.

**Table 5.5 Change in Labor Force and Job Numbers in Richland County**

	Change in Labor Force		Change in Number of Jobs	
	% change	numeric change	% change	numeric change
1990-2000	-8.10%	-441	--	--
2001-2005	7.10%	345	17.40%	548

Source: Montana Department of Labor, Labor Market Information, [www.ourfactsyourfuture.org/cgi/dataanalysis/AreaSelection.asp?tableName=Labforce](http://www.ourfactsyourfuture.org/cgi/dataanalysis/AreaSelection.asp?tableName=Labforce)  
 U.S. Dept. of Labor, Bureau of Labor Statistics, Employment data <http://data.bls.gov>

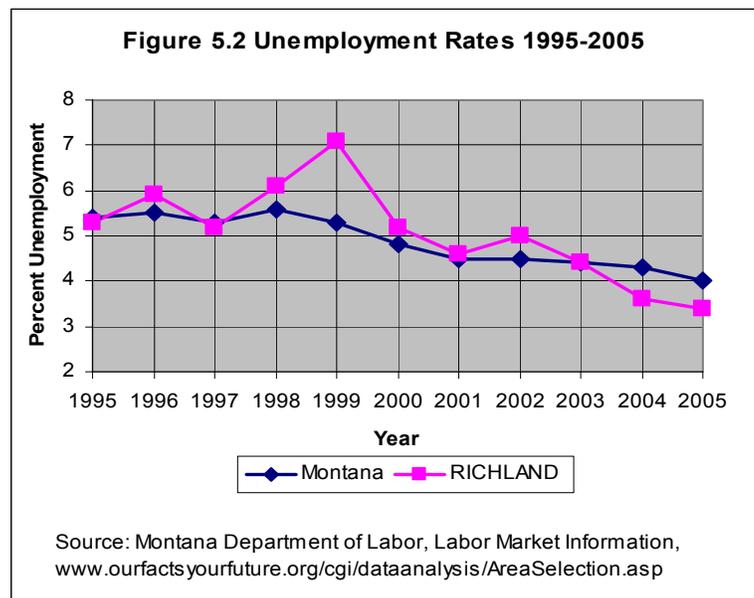
Table 5.4 shows employment by sector in Richland County. The top employment sectors were health care, local government (which includes all public school employees), retail trade, accommodations and food services, construction, manufacturing, and mining. Mining jobs, which includes oil and gas, grew by 125% between 2000 and 2005, with a jump of nearly 100 jobs occurring between 2004 and 2005. The increase is due to the increase in oil and gas activity as mining has remained stable.

**Table 5.6 Employment in Richland County by Sector, 2000-2005**

	2005	2004	2003	2002	2001	2000	Numeric change 2000-2005	% change 2000-2005
Health Care and Social Assistance	639	585	556	564	542	536	103	19.2%
Local Government	539	536	568	615	567	585	-46	-7.9%
Retail Trade	518	507	484	495	518	516	2	0.4%
Accommodation and Food Services	445	425	407	423	408	385	60	15.6%
Construction	389	391	306	292	280	272	117	43.0%
Manufacturing	333	353	343	331	345	370	-37	-10.0%
Mining	326	219	146	150	152	145	181	124.8%
Transportation and Warehousing	213	173	166	169	163	170	43	25.3%
Other Services, Ex. Public Admin	143	138	118	114	121	124	19	15.3%
Professional and Technical Services	140	133	133	129	123	116	24	20.7%
Wholesale Trade	127	137	130	131	133	131	-4	-3.1%
Federal Government	105	103	102	100	97	98	7	7.1%
Finance and Insurance	96	94	88	82	85	91	5	5.5%
Arts, Entertainment, and Recreation	78	47	40	34	35	35	43	122.9%
Information	58	56	51	49	51	45	13	28.9%
Real Estate and Rental and Leasing	56	53	28	35	32	34	22	64.7%
Utilities	53	54	53	54	56	56	-3	-5.4%
Agriculture, Forestry, Fishing & Hunting	50	45	32	31	75	58	-8	-13.8%
Administrative and Waste Services	34	29	27	33	32	33	1	3.0%
State Government	34	36	41	44	39	37	-3	-8.1%
Educational Services	5	7	10					

Source: Montana Department of Labor, Labor Market Information, [www.ourfactsyourfuture.org/](http://www.ourfactsyourfuture.org/)

Unemployment statistics are an estimate by place of residence, not jobs or where a person works. In order to be considered unemployed an individual must have had no employment during the reference week, been available for work, and have made an effort to find work for four weeks leading up to the reference week. Since peaking at 7.1% unemployment in 1999, unemployment rates in Richland County have generally been on the decline. The unemployment rate in 2005 was 3.4% compared to 4% for the state as whole.

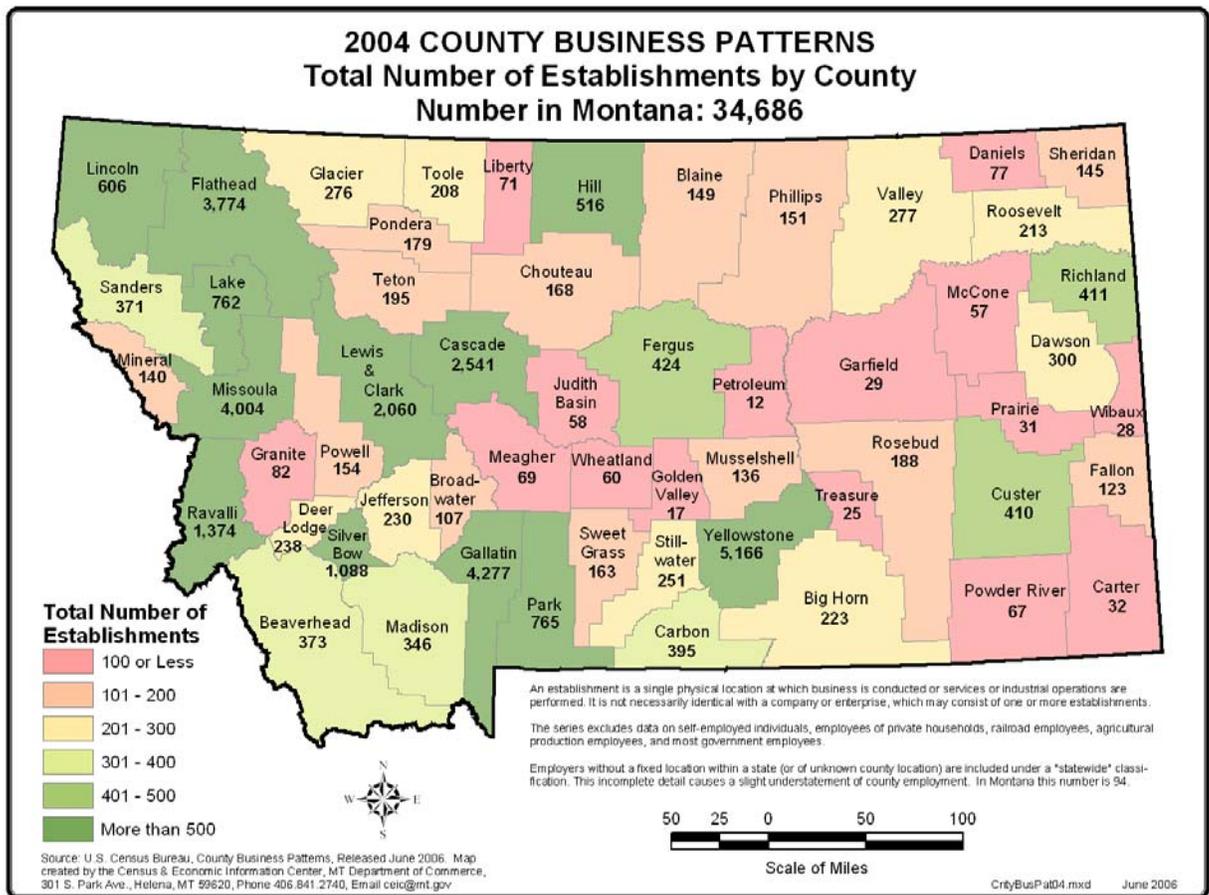


Low unemployment rates and higher wage rates have made it increasingly difficult for some local businesses to attract and retain employees. “In store front windows across town ‘help wanted’ signs have become an understatement in regards to the shared frustrations many businesses are currently experiencing,” stated the Sidney Herald in June 2006. According to Bill Ackley, owner of Footers, a sandwich shop in Sidney, “This started about two years ago, and it’s just gotten worse. A year ago I was starting people at \$6 an hour; now I’m up to \$7.25 and it’s no better.” Even with the higher wages, he reported that he’d had a help wanted ad out for eight weeks and still had vacant positions. (Sidney Herald, June 11, 2006)

### Diversity of Businesses and Employment

Richland County has more businesses and broader diversity of businesses than most of eastern Montana.

Figure 5.3 Number of Business Establishments by County



Source: Montana Census and Economic Information Center website.

The December issue of *Montana Economy at a Glance* evaluated the diversity of all counties in Montana using Hachman Index (HI) methodology, which measures how similar a region's employment composition is to that of a larger (benchmark) region. Two benchmark regions were used—the state of Montana and the U.S. Counties with employment patterns similar to those of the benchmark regions will have HI numbers approaching 1.0 while those with dissimilar patterns have numbers approaching 0. When comparing to Montana, the 56 counties ranged from a high of .87 (Missoula County) to a low of 0.07 (Stillwater County). Richland County had a HI of .38 compared to the state, and ranked 29<sup>th</sup> out of all 56 counties. When using the U.S. with a more diversified economy than Montana, the range was .66 (Gallatin County) to 0.01 (Stillwater County). Stillwater County has a high concentration of employment at the Stillwater Mining Company and relative lack of other service industries, such as doctors' and dentists' offices. Richland County had a HI of .32 compared to the U.S. benchmark of 1.0, and ranked 20<sup>th</sup> out of Montana's 56 counties.

As of 2004, Richland County had a total of 411 businesses. In terms of numbers of persons employed, major businesses include Sidney Health Center, Sidney Sugar, and the public school system.

Richland County has a number of businesses that set it apart from other counties in Montana. These include businesses that add value to local products and export commodities out of the county and other operations unique to Richland County:

- Lewis and Clark Electric Generating Station. Generates electricity using coal from the mine at Savage.
- Westmoreland Corporation's Savage Coal Mine. Provides coal to the Lewis and Clark Electric Generating Station and Sidney Sugar.
- Eastern Montana Branch-Montana State University Experiment Station and USDA-ARS Northern Plains Agricultural Research Laboratory/Pest Management and Agricultural Systems Research Unit.
- Busch Ag Resources Plant.
- Hiland Partners' Bakken Gathering System. Consists of approximately 273 miles of natural gas gathering pipelines, a processing plant and a fractionation facility. The Bakken gathering system, including the Bakken processing plant, was constructed during 2004 and commenced operations on November 8, 2004.

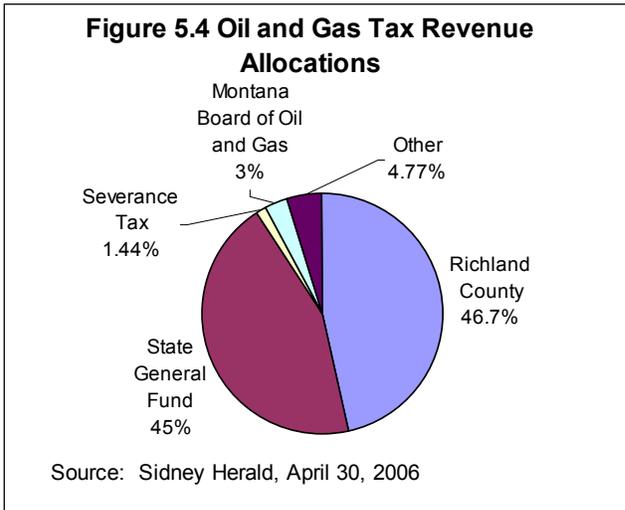
Agriculture is a major force in the economic development of the county, as evidenced by the agriculture-related businesses including--Sidney Sugar, the Busch Ag Resources Plant, and the USDA-ARS and Eastern Montana Branch-Montana State University Experiment Station facilities. More detailed discussion of agriculture is included in the separate chapter on agriculture in this Growth Policy.

## **Oil Development**

Oil development is a major player in the Richland County economy. The last oil boom occurred in the late 1970s and peaked in 1981. The current oil development is a result of new technology providing for economic recovery of oil reserves in the Bakken formation.

During exploration a large number of personnel are needed. This includes numbers of people from outside the area, such as company representatives, engineers, geologists, contractors, and roughnecks who operate the drill rigs (5-6 people per rig per shift.) Contractors are needed for activities like concrete work and well completion.

Following completion of the well, many of the professionals associated with exploration leave the area. However, once the well is in production a variety of support personnel (lesser skilled individuals who are more likely to be hired from the local labor pool if available) are needed. These individuals perform such tasks as hauling water, maintaining pipelines, doing road work, maintaining pads (weed control, fence repair, etc.), maintaining the pumps and other machinery necessary for production, and administrative support work. Additional associated jobs can be expected in parts and equipment supply. (Laakso, BLM, Miles City) Leo Miller of the MonDak American Petroleum Institute anticipates that the permanent long-term (5-15 years) population increase resulting from oil and gas development in the County could be up to 100 persons, including family members.



The oil development has had a ripple effect throughout the local economy. It has played a role in reducing unemployment rates, increasing personal income, and bringing in many workers who stay for 10-14 days or so, and then return for time off at their own homes out-of-county and out-of-state. The influx of workers has increased traffic, law enforcement workloads (although not at rates similar to the boom of the late 1970s), and demand for a limited supply of housing. The oil development has had a considerable effect on local roads (refer to Public Facilities section of the Growth Policy).

Oil development has also brought additional tax revenue to the state of Montana and to Richland County local government. Portions of the tax revenue go to various state funds and the county as shown in Figure 5.4.

The county allocates the revenues it receives from oil and gas tax as shown in Table 5.7. A total of \$24,809,095 was distributed to the county in calendar year 2005 from the oil and gas tax revenues. (Fogle)

The amounts of the revenues are increasing with increased production. The third quarter oil and gas tax revenue check to Richland County was \$7.202 million. Allocated according to the

**Table 5.7 Allocation of County's 46.7% Share of Total Oil and Gas Tax Revenues**

County Government	0.46
Elementary Retirement	0.04
High School Retirement	0.039
County Transportation	0.022
Schools	0.44

Source: Sidney Herald, April 30, 2006

formula in Table 5.7, \$3.309 million went to general county government, \$295,000 to elementary retirement, \$282,000 to high school retirement, \$162,000 to county transportation, and \$3.152 million to public schools. The severance tax revenues (1.44% of total oil and gas tax revenues) are allocated according to a formula with 33.3% to Richland County, 57.4% to Sidney and 8.9% to Fairview. The severance tax revenue disbursements from 2005 third quarter were \$74,000 for Richland County, \$128,760 to Sidney, and \$19,240 to Fairview.

## **Local Government**

Local government is responsible for providing basic services and infrastructure for its residents. These include public safety and public works (roads, water, sewer, solid waste). Revenues come from property taxes, licenses and permits, other fees, and state and federal sources.

Local governments are limited by state law for how much funding can be set aside in fund account reserves for accounts funded with property tax revenues. There is, however, some flexibility with allocation of non-property tax revenues. SB 301, passed by the state legislature and enacted into law, allows for non-property tax revenues, such as the oil and gas tax revenues, to be used as determined by local government for any use not specifically excluded by state law.

Richland County expenditures for basic services and infrastructure were approximately \$7.1 million in fiscal year 2005 (year ending June 30, 2005). City of Sidney's expenditures for fiscal year 2004 were \$2.6 million, and Fairview's were \$532,753 for fiscal year 2005.

## **Economic Development Organizations- Economic Development Efforts**

There are a number of economic development organizations in Richland County including the Eastern Plains RC&D, Richland Economic Development Corporation, Sidney Area Chamber of Commerce and Agriculture, and Fairview Chamber of Commerce. In Savage, S.A.V.A.G.E, Inc. is the organization that promotes community and economic development. In Lambert, the local historical society has been involved in new projects such as the potential development of a three to six hole golf course.

The Eastern Plains RC&D serves 16 counties in eastern Montana, including Richland County. The RC&D has a variety of projects, including assistance with the Fairview bridge project.

The Richland Economic Development Corporation is a county-wide nonprofit organization. Richland Economic Development Corporation prepared a Comprehensive Economic Development Strategy (CEDS) in 2002. With an approved CEDS, the county is eligible for certain types of federal funding. The CEDS is updated annually. Top priorities currently include:

- Downtown vitalization and revitalization for Sidney and Fairview
- Continue to support and recruit dairies
- Highways—need a bypass around Sidney to get truck traffic safely around the city

- Continue to support oil and coal
- Housing—addressing the need for housing (Messer)

The Sidney Area Chamber of Commerce and Agriculture hosts a number of events throughout the year and operates the visitor center in Sidney. They have accomplished a number of projects and promote Sidney through economic development (business promotion), trade shows, and tourism.

Sidney has a Downtown Renewal project underway.

The Fairview Chamber of Commerce has 60 members and has prepared an Overall Economic Development Plan which is updated annually. High priorities identified in the plan include:

- Community and economic development, including marketing and merchandising of local products
- Technical assistance for business development information and education for residents
- Local community infrastructure needs
- Diversification of resident incomes
- Involvement in statewide economic development policy boards and advisory councils to promote Fairview as a viable portion of eastern Montana and North Dakota

The Fairview Chamber of Commerce has been active over the past few years with downtown revitalization, working on improving the appearance of downtown with sculptures and plantings. In 2006 they began working on downtown efforts modeled after the Mainstreet Program. (Trumpower)

### **Projected and Potential New Development**

Projected and potential new development for Richland County includes the following:

- Ethanol Plant near Williston, North Dakota. In July 2006, the Yellowstone Ethanol Board announced plans for construction of an ethanol plant 17 miles southwest of Williston. Plant is projected to produce 50 millions gallons of ethanol per year, employ 40 people, and provide a market for more than 100,000 acres of crops. (Sidney Herald, July 9 and July 16, 2006)
- Oil Refinery in Richland County. In June 2006, the Montana Governor's office requested information on the strengths of Richland County for locating an oil refinery in Montana. (Sidney Herald, June 18, 2006) Richland County accounted for 55% of the state's oil production in 2005, and continued dominant role for Richland County appears strong with the development of the Bakken oil play.
- Oil Development. The BLM estimates that the current exploration boom will last 3-4 years and production at each well will continue for approximately 15 years. (Laakso, BLM Miles City)

- Coal Mine in McCone County. An application process with the state for a mine-mouth generation project at Nelson Creek, west-northwest of Circle, was initiated in May 2006. Projections are for a peak labor force with four years of as many as 1800 individuals for up to an 18-month period. Following completion of plant construction, the project would employ approximately 200 people with an additional 400 support jobs for its 35-40-year operational life.

## **Conclusions and Projected Trends**

Richland County has considerable number of businesses and diversity of businesses compared to other counties in eastern Montana. Efforts continue to build existing businesses, and attract new types of businesses. The success of these efforts will result in a stronger, long-term economy.

The oil and gas tax revenues allocated to Richland County, Sidney, and Fairview are a considerable boon to local government. Revenues have yet to reach their peak, but will stabilize over the next three to four years, when it is projected that the exploration and development phase will be essentially completed. The production phase is expected to last 10-15 years and could be extended with technology to improve recovery. Local governments are working to ensure that the expenditure of the revenues provides for long-term lasting benefits. Hundreds of ideas for spending the funds have been generated, and the task ahead is to sort out priorities.

Several hundred new jobs have been created in Richland County since the onset of the recent oil activity. Existing methods of tracking labor and employment cannot provide an accurate count of workers who have come into Richland County as a result of the oil and gas boom. There was an increase of 548 jobs in the county between 2001 and 2005. Some of those jobs have been filled with local residents and many with non-resident workers. The 548 new jobs may also be understated in this way—an out-of-county employer may have hired additional employees for work in Richland County, but the jobs are counted with the employer's business address.

The oil activity and associated support industries have spurred higher wages, resulting in higher incomes for local residents since 2000, and reduced unemployment. There are several secondary impacts of higher wages and low unemployment—local businesses and government are finding it more difficult to attract and retain employees and contractual labor, and having to pay more when they do get the help. In some cases it is simply impossible to get the help at all.

The economic future of the county could change dramatically with development of an oil refinery, or with development of coal in adjacent McCone County.