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A Statistical Analysis of the North Dakota Lignite Industry's Contribution to the State Economy for 1989 and Projected 1990

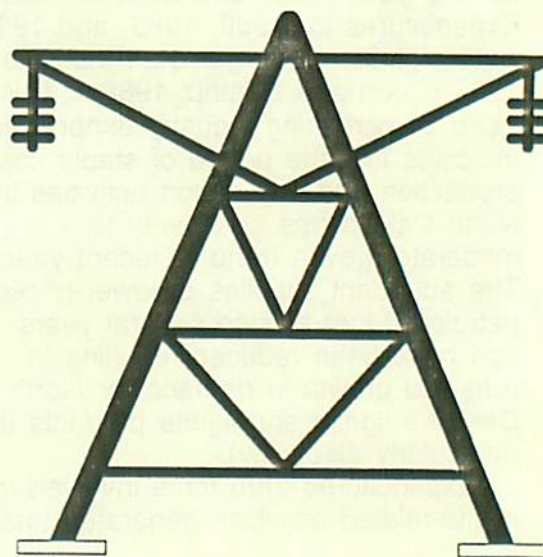
Randal C. Coon and F. Larry Leistriz

The economic contribution the lignite industry makes to the North Dakota economy has been assessed on an annual basis since 1982. Funding for these studies has been provided by the North Dakota Lignite Council and in recent years by the North Dakota Industrial Commission. For a discussion of the economic contributions the lignite industry (i.e., those firms involved in the mining or conversion of the state's lignite) has made on an annual basis for the period 1982 to 1988, see Coon et al. 1983; Coon and Leistriz 1985, 1986, 1987, 1988, and 1989.

This report will provide estimates of the lignite industry's contribution to the North Dakota economy using key economic indicators such as retail trade activity, personal income, total business activity, employment, and tax revenues. These items will be estimated for 1989 based on actual industry expenditures and for 1990 using projected levels of spending. Expenditures were obtained from a survey of firms involved in lignite-related activities (mining or conversion) in North Dakota.

Methodology for this analysis is similar to that used previously (for a complete description see Coon et al. 1983 and Coon and Leistriz 1986). Expenditures in North Dakota (as reported by companies involved in lignite-related activities) were calculated, and the North Dakota Input-Output model was used to analyze these data.

The interdependence coefficients or multipliers (that measure the level of total gross business volume generated in each sector as a result of an additional dollar of sales to final demand in a given sector) of the input-output model were applied to these expenditures. For a complete description of the input-output model, a listing of the coefficients, and how the model can be used to perform an economic contribution study, see Coon et al. 1985 and 1989. Resulting levels of business activity were used to estimate such economic indicators as tax revenues and indirect and induced employment based on historic relationships (Coon et al. 1984).



It is assumed that the expenditures made by firms involved in lignite-related activities work their way through the local economy in much the same way as expenditures made by firms in other sectors of the North Dakota economy. The estimated ratio of secondary employment (that is, jobs generated in other sectors of the North Dakota economy) to direct employment (in the mines and plants using lignite in the state) is higher for the lignite industry than for some other sectors of the state's economy. This is to be expected because of the capital-intensive nature of the industry. That is, firms in the lignite industry have much higher levels of expenditures per employee than do most other economic sectors in the state so that the indirect and induced employment per worker in the lignite and lignite conversion industries is higher than for other basic economic sectors.

Results

The North Dakota lignite industry is an important component of the state's economy. The industry's in-state expenditures totaled \$360.3 million in 1989 and were estimated to amount to \$392.2 million for 1990 (Table 1). Actual expenditures for 1989 were only slightly higher than the projected level for that year (Coon and Leistritz 1989). Expenditures for 1988, 1989, and 1990 were significantly larger than those for 1987 (Coon and Leistritz 1988). This trend of increasing industry expenditures indicates that the period of stable coal production and conversion activities in North Dakota has given way to a moderate growth trend in recent years. The abundant supplies of lower-priced petroleum that existed several years ago have been reduced resulting in renewed growth in demand for North Dakota's lignite and lignite products (i.e., particularly electricity).

Expenditures from firms involved in lignite-related activities generated total

business activity in excess of \$1 billion for each year (Table 2). Expenditures by lignite-related firms resulted in \$241.4 million in retail sales activity in the state in 1989 and a projected \$266.7 million for 1990. In addition, the industry's activities were responsible for generation of \$389.4 million in personal income in 1989, with the 1990 level projected to be \$415.8 million.

Lignite industry companies contribute heavily to state tax revenues; total taxes attributable to the industry were estimated to be \$62.9 million in 1989 and \$66.4 million in 1990 (Table 3). Coal severance and energy conversion taxes constituted the major portion of the total. In addition to the 3,551 workers directly employed in 1989 and the projected 3,649 workers for 1990, the industry provided jobs for over 14,000 indirect and induced workers in each of these years as a result of the levels of business activity attributable to the lignite industry (Table 4).

TABLE 1. Estimated North Dakota Expenditures by Economic Sector for Companies Involved in Lignite-Related Activities, 1989 and Preliminary 1990

Sector	1989	1990
	-----million dollars-----	
Construction	42.1	45.2
Transportation	6.9	8.9
Communications and public utilities	44.0	43.7
Wholesale trade and misc. manufacturing	32.9	35.7
Retail trade	29.0	38.2
Finance, insurance, real estate	29.6	32.2
Business and personal services	19.3	23.1
Professional and social services	13.0	17.1
Households	143.5	148.1
Total	360.3	392.2

TABLE 2. Estimated Personal Income, Retail Sales Activity, Business Activity of all Business Sectors, and Total Business Activity for Companies Involved in Lignite-Related Activities, 1989 and Preliminary 1990

Item	1989	1990
	-----million dollars-----	
Personal income	389.4	415.8
Retail sales	241.4	266.7
Business activity for all business sectors ^a	623.8	682.5
Total business activity	1,101.1	1,193.8

^aIncludes all sectors except agriculture (livestock and crops), households, and government.

TABLE 3. Estimated State Tax Revenue Resulting From Activities of Companies Involved in Lignite-Related Activities, 1989 and Preliminary 1990

Tax Revenue	1989	1990
	-----million dollars-----	
Coal severance	25.5	25.9
Energy conversion	12.0	13.2
Sales and use	9.8	10.8
Personal and corporate income	10.1	10.9
Other	5.5	5.6
Total	62.9	66.4

TABLE 4. Estimated Direct and Secondary Employment for Companies Involved in Lignite-Related Activities, 1989 and Preliminary 1990

Employment	1989	1990
Direct	3,551	3,649
Secondary	14,311	14,890

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