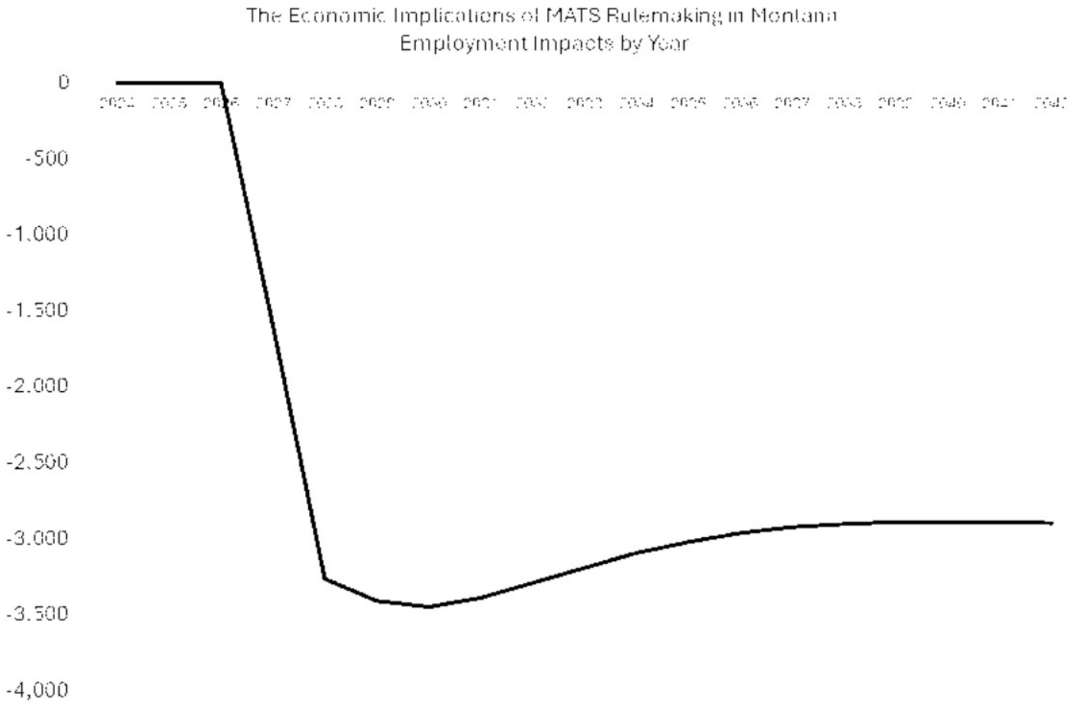
Figure 2



As is the case for most situations where jobs are created or lost in a regional economy, the number of jobs ultimately lost in the overall economy shown in Figure 2 exceeds the number of jobs eliminated at the mine and the generating station due to their closure. These knock-on effects in the overall economy occur as the lost revenue of those who previously received the employee and vendor spending of the facilities propagates through their own spending and employment. Nonetheless, the additional job losses that are expected to occur in the wake of MATS rulemaking-induced closures in Colstrip are large.

Three factors account for the magnitude of job losses that occur.

The first is the nature of the jobs at the mine and the generating station. These are capital-intensive, high value-added businesses that compensate their employees very well – average compensation at each facility is more than twice as high as the Montana average earnings per job.

Secondly, the production of coal and electricity involves a high fraction of inputs that are made in Montana. Thus, vendor spending of the facilities is more likely to be directed within the state, instead of being lost to the economy when purchases of goods and services are directed to suppliers located elsewhere.

Finally, there is the special tax treatment of production in natural resources in Montana, especially coal mining. Table 1 shows state revenue losses exceeding $100 million as a result of closures of the mine and generating station. These revenue losses result in a loss of government spending or possibly higher tax rates on the rest of the economy, which contribute to lower employment as well.

The impacts on the state economy that are caused by the MATS rulemaking-induced closure of the Colstrip SES and the adjacent Rosebud Mine that are summarized in Table 1 are sizable, yet they are likely to understate the losses that actually occur. This is because this analysis does not take into account