

Yellowstone County

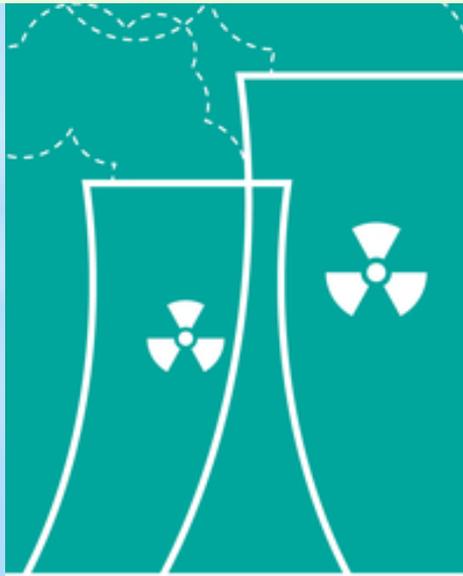
Midyear 2012

By Paul E. Polzin

Director Emeritus

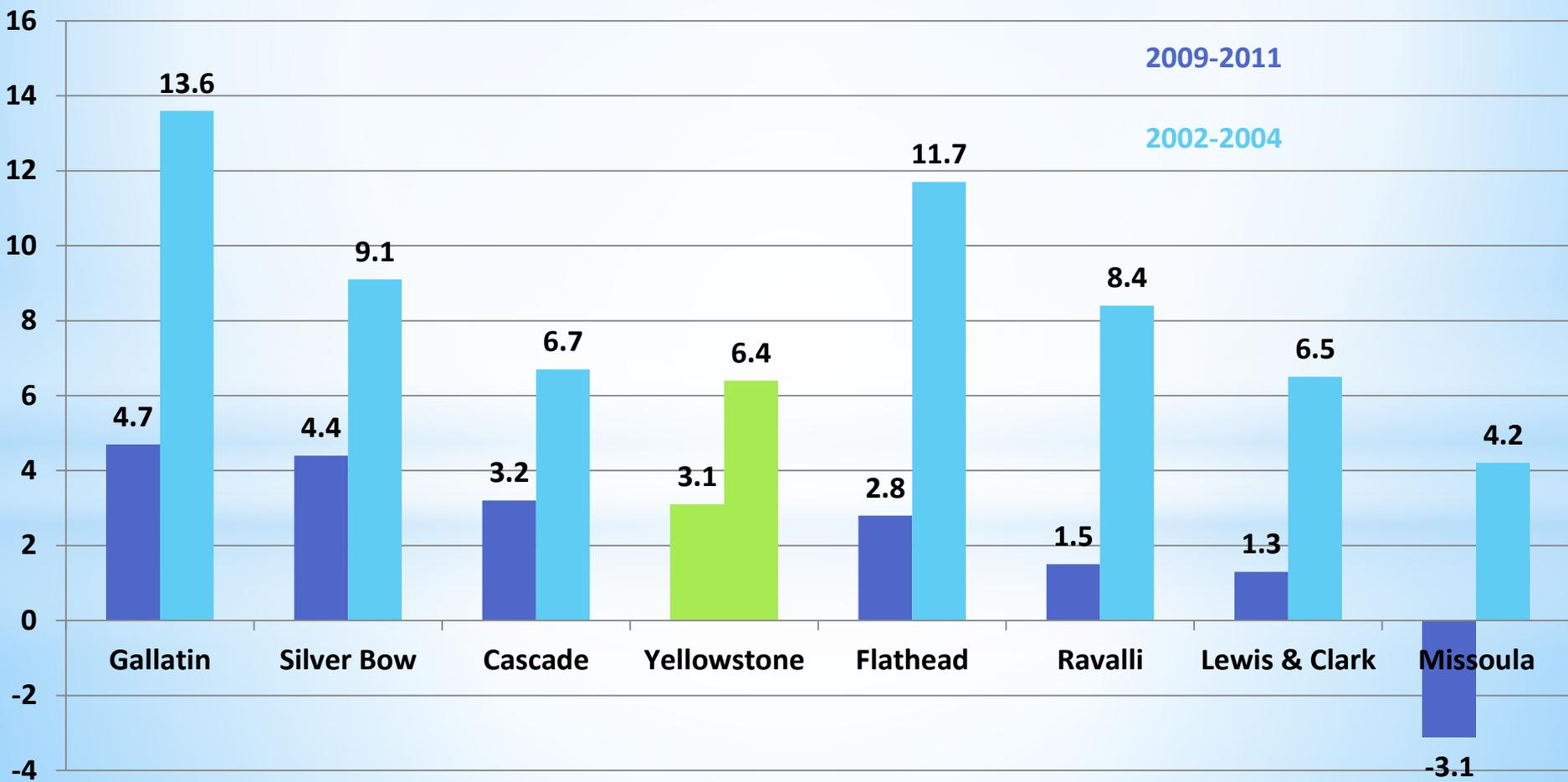
Bureau of Business and Economic Research

The University of Montana





Annual Percent Change In Nonfarm Earnings (in Constant Dollars)





Non-Farm Employment and Inflation Adjusted Wages and Salaries, Seasonally Adjusted, Yellowstone County

Recession Trough, June 2009



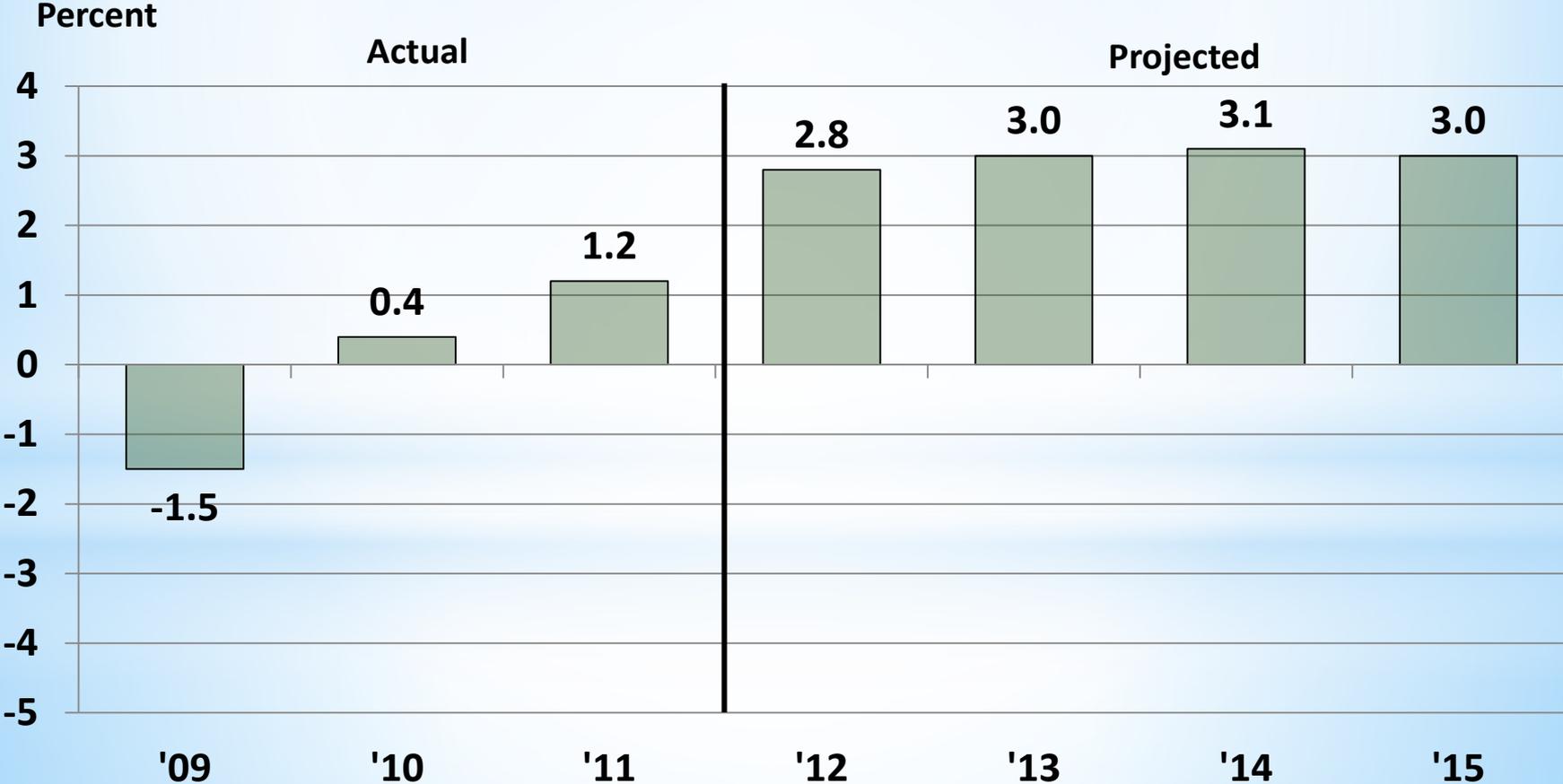


Yellowstone's Economic Base 2009-2012

		<u>Feb. '12</u>	<u>Aug. '12</u>
Other	1%		
Nonresident Travel	4%	Some Recovery	Preliminary Data OK
Transportation	8%	Energy Growth	!!
Mining	11%	Growth Potential	✓
MSU-B and State Gov't	7%	Pay Freeze	Pay Freeze Ends
Federal Gov't	13%	Stable at Best	✓
Health Care	14%	Reform?	Weak Discretionary Spending
Manufacturing	16%	Stable	✓
Trade Center	26%	?	Weak Retail
Construction		Not before 2013	✓

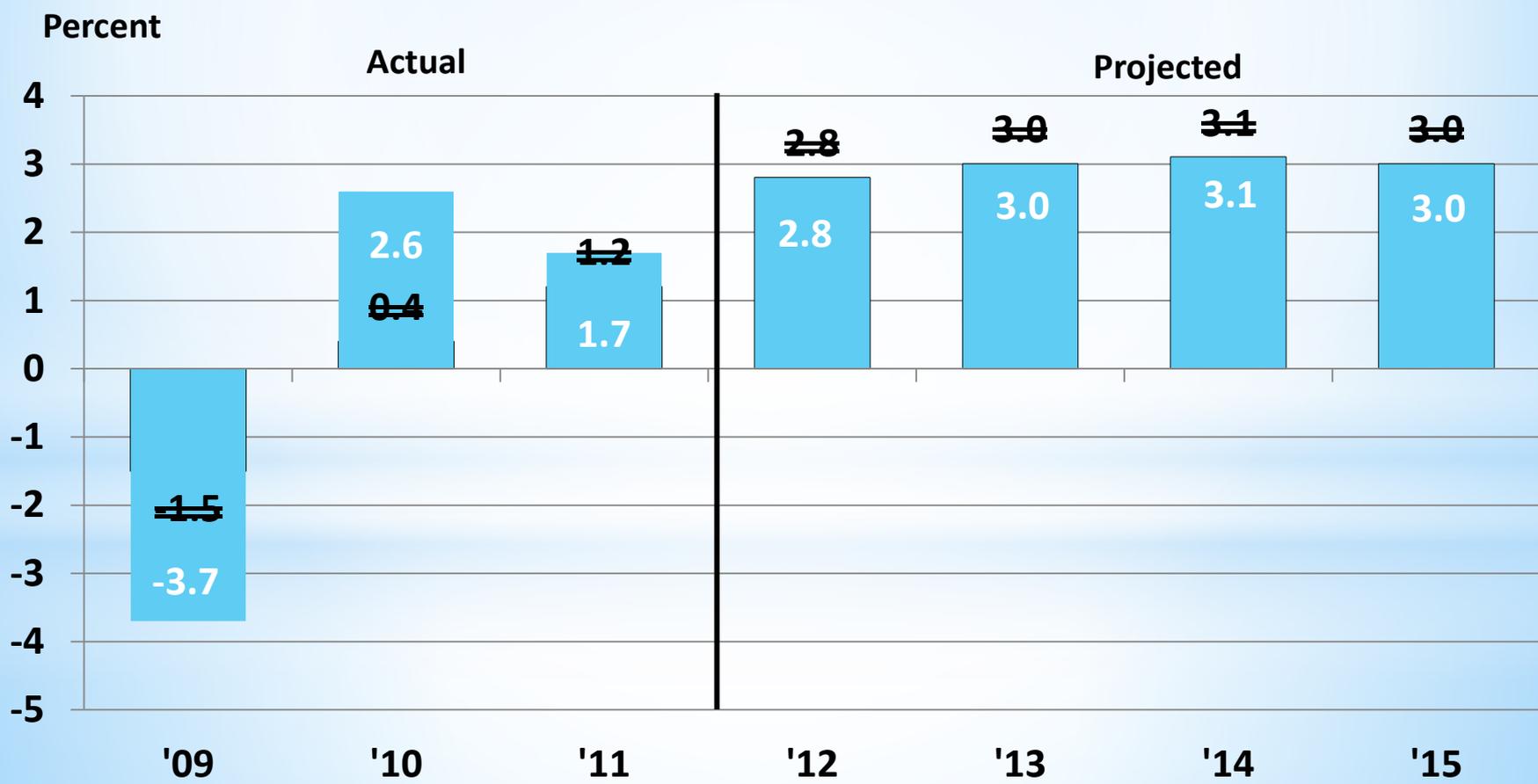


Actual and Projected Change in Nonfarm Earnings, Yellowstone County, 2009-2015



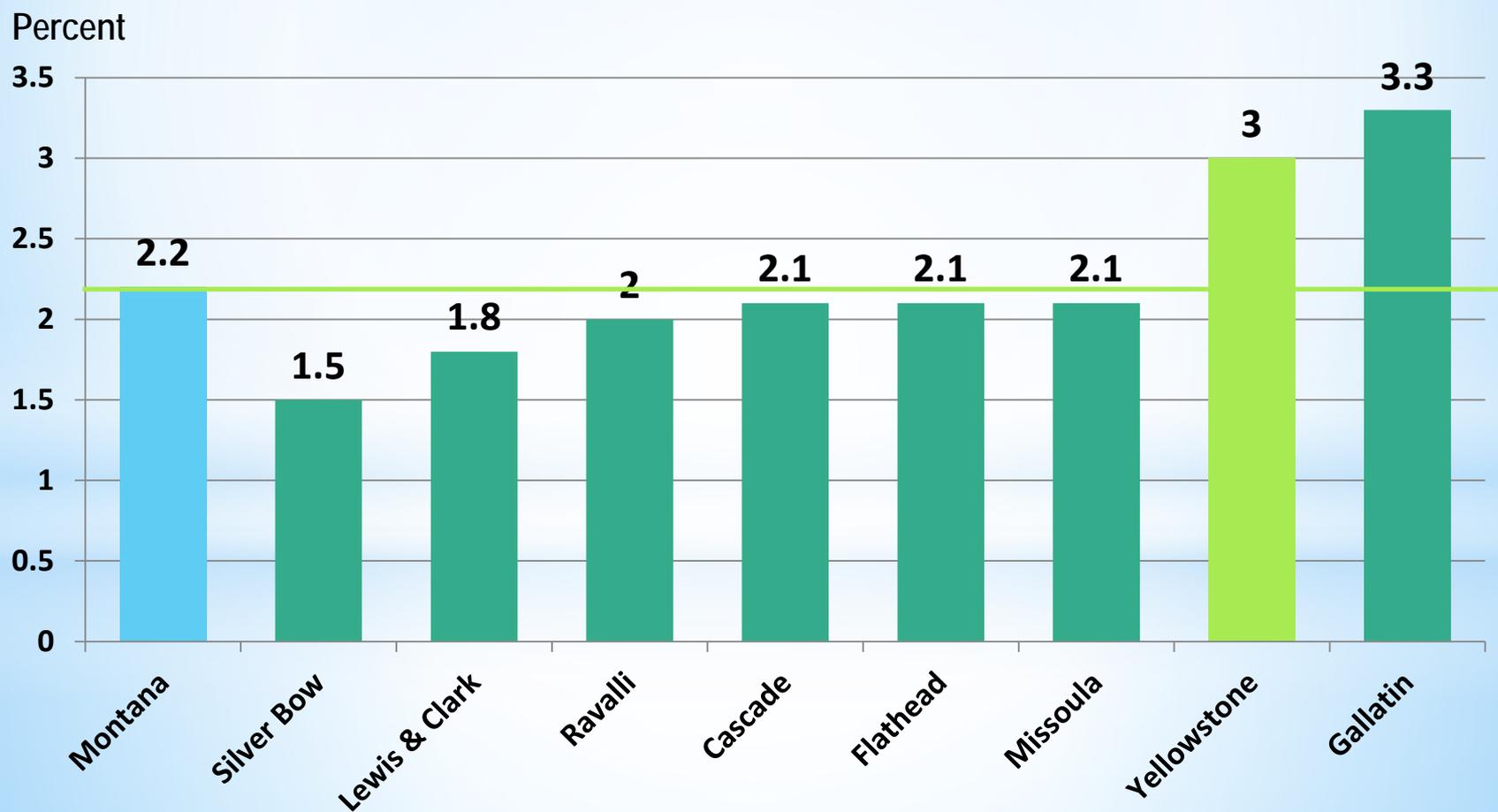


Actual and Projected Change in Nonfarm Earnings, Yellowstone County, 2009-2015





Projected Annual Percent Change In Nonfarm Earnings (in Constant Dollars) 2012-2015





ENERGY QUESTIONS

PART II



Energy Volatility; Is Government a Cause or a Remedy?

- **KEYSTONE XL PIPELINE**
 - Nebraska State Government
 - U.S. Government
- **WIND ENERGY**
 - Expiration of Federal Production Tax Credit (PTC)
 - California Energy Market
 - Wind is now 5% of total
 - Goal: Renewables are 33% of total

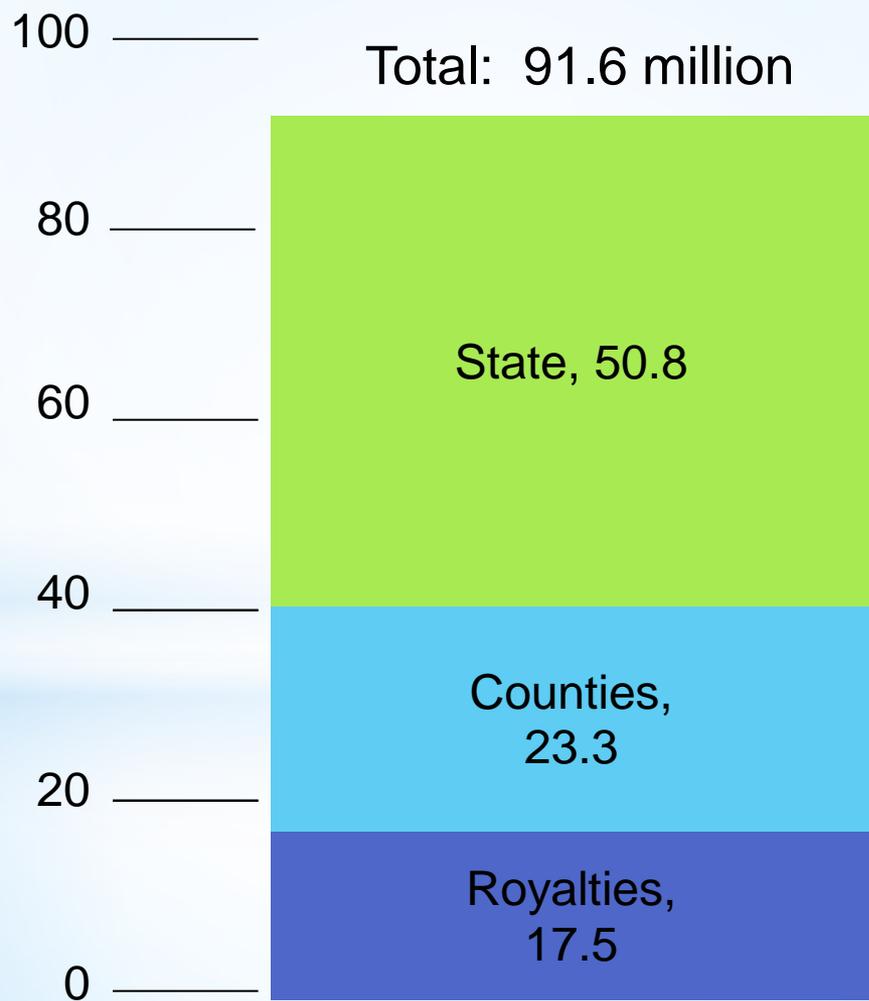


Why Should Anyone in Western Montana Care About Energy Development in the Eastern Part of the State?

- Tax and Revenue Impacts
- Montana's Energy Transportation Systems



Estimated Royalties and Taxes, 20 Million Ton per Year Coal Mine





Montana Board of Investments Loan Programs Funded from the Permanent Coal Tax Trust Fund.

“Montana law states that
‘the Board shall endeavor to invest 25 percent
of the state’s Coal Tax Trust Fund
in the Montana economy...’”

- **Business Loan Participation Program**
- **Link Deposit Business Loan Program**
- **Guaranteed Loan Purchase Program**
- **Value-Added Business Loan Program**
- **Infrastructure Loan Program**
- **Intermediary Relending Loan Program**



Vancouver

Future Powder River Coal Market Areas





Crude Oil Pipelines



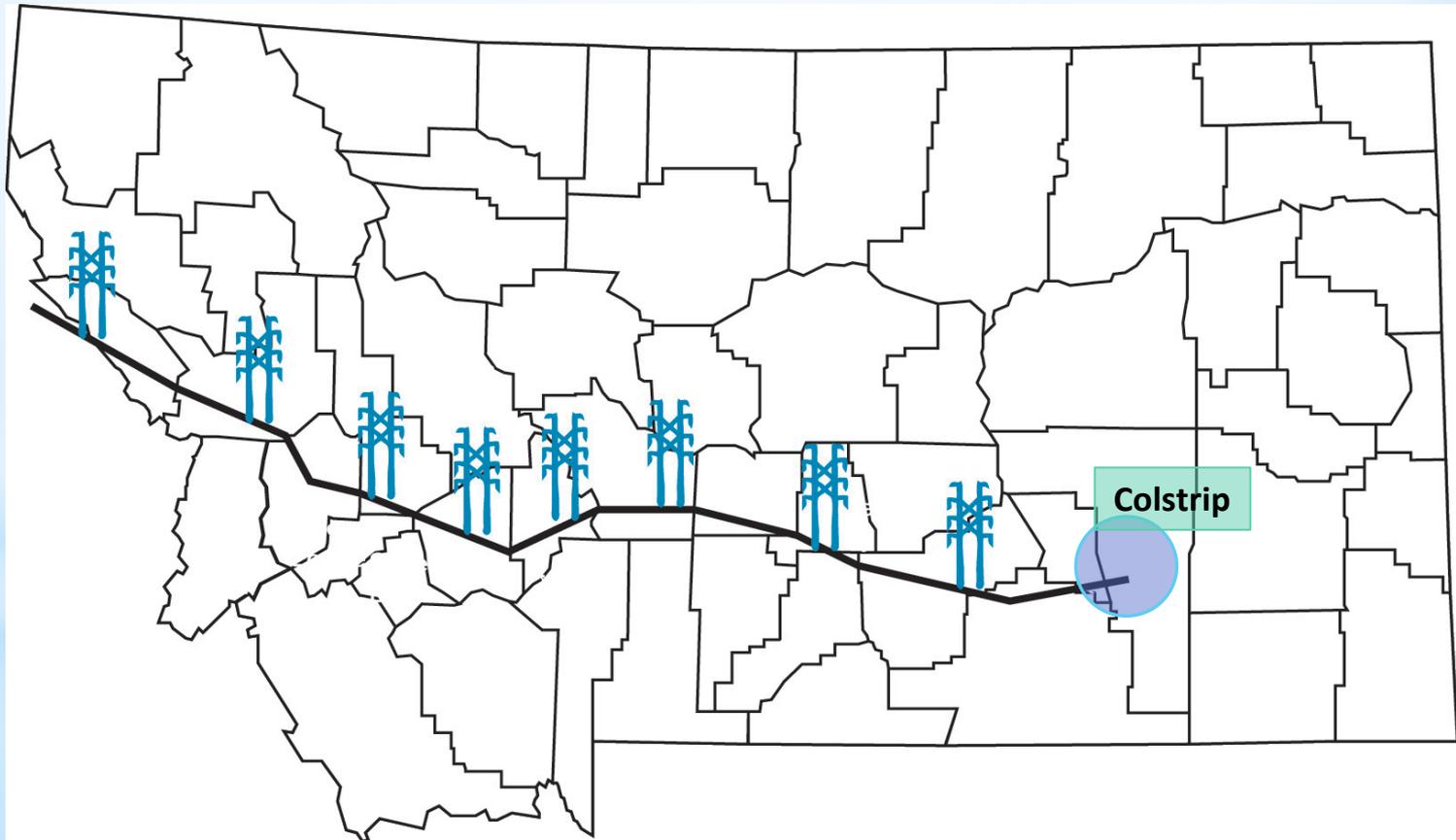


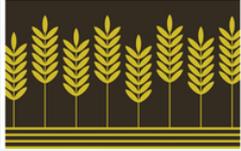
Petroleum Product Pipeline





Colstrip 500 KV Transmission Line





What Are The Chances of Another (1980's style)
Energy Bust Putting an End to Everything?



Price of Oil

February 1984
\$26.00/B

July 1986
\$9.25/B

-64%

July 2008
\$128.00/B

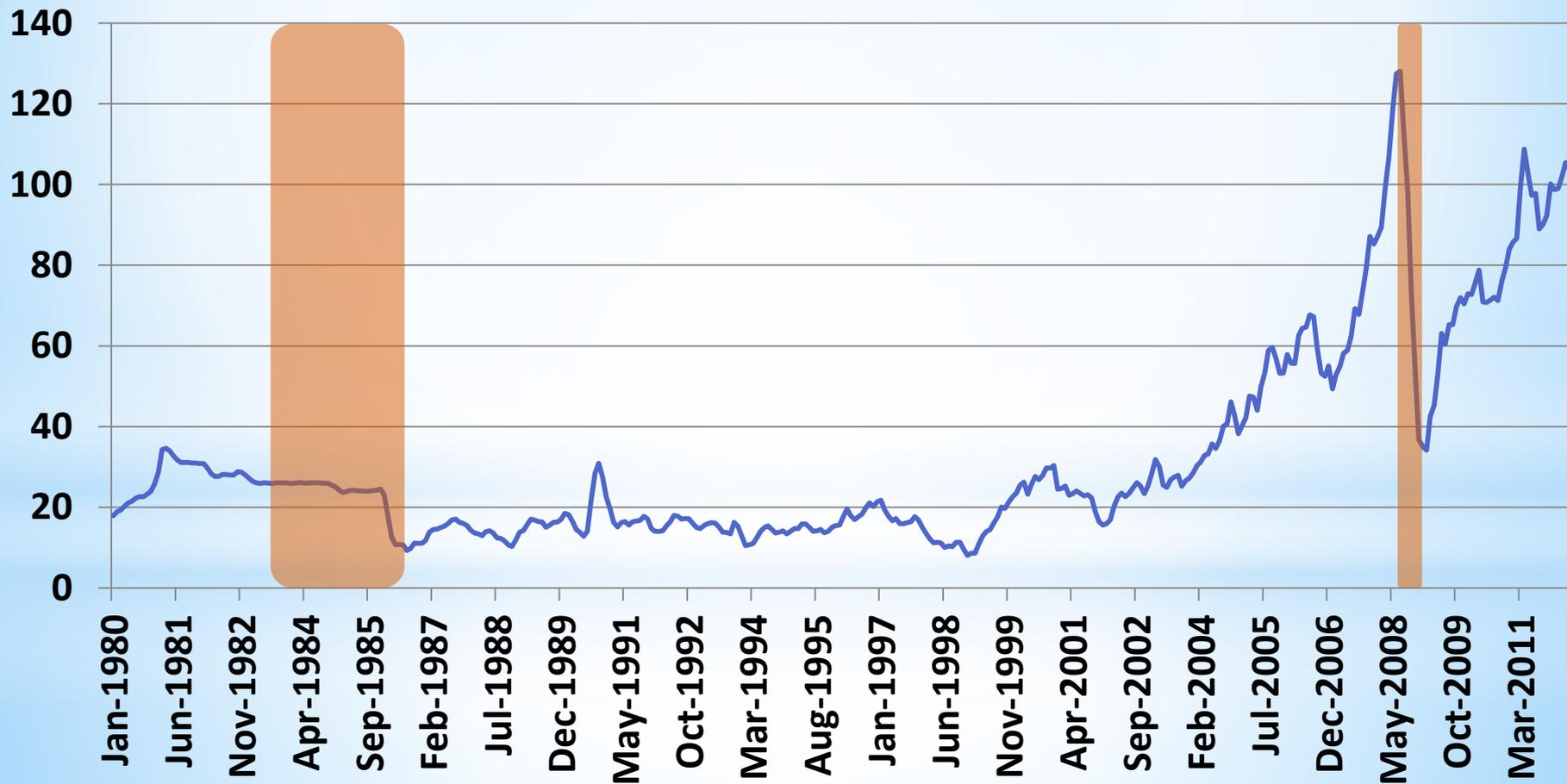
February 2009
\$35.00/B

-73%



U.S. Oil Prices

Dollars per barrel

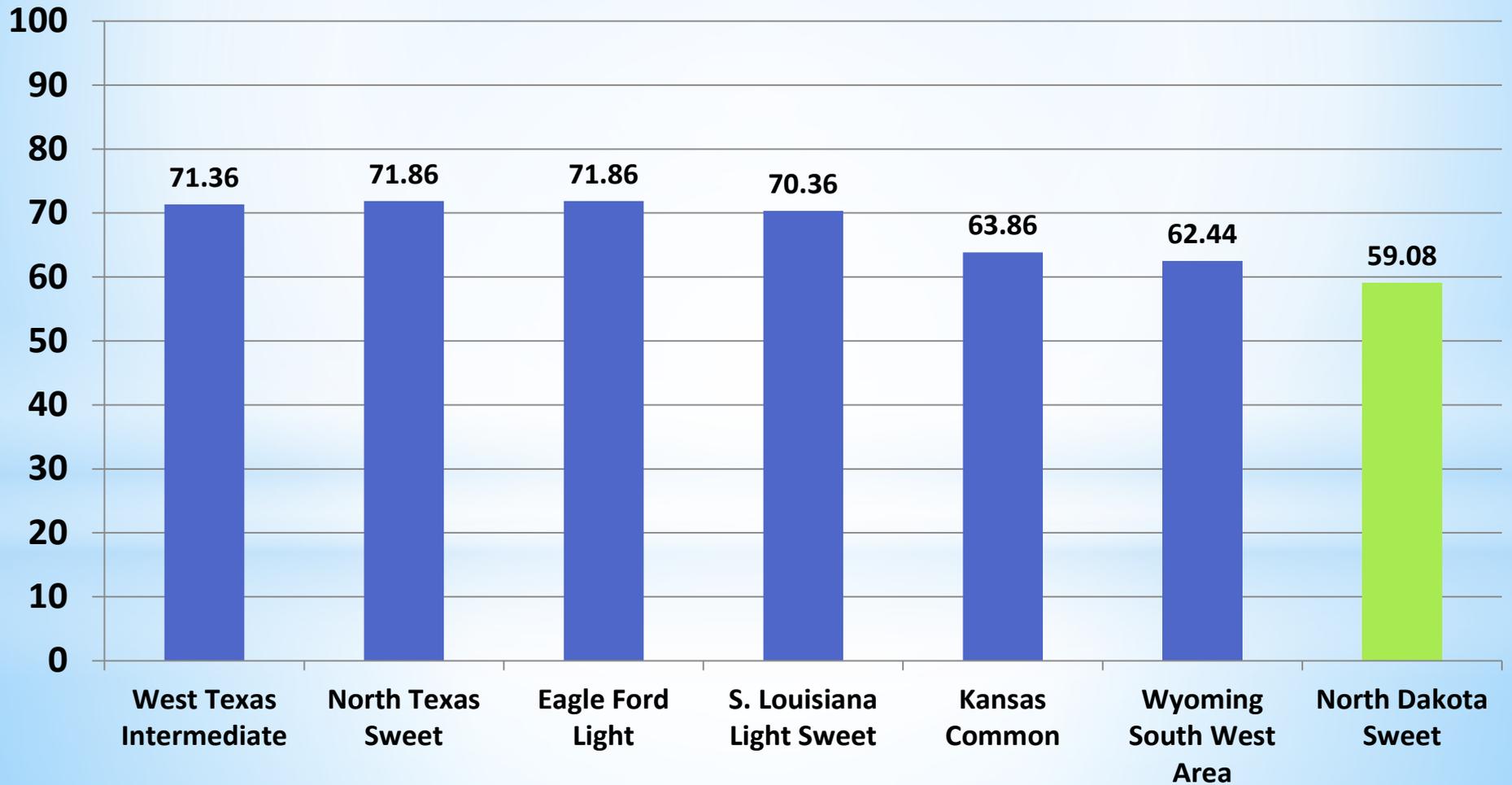




Crude Oil Prices, by Grade

June 2010

Dollars per barrel

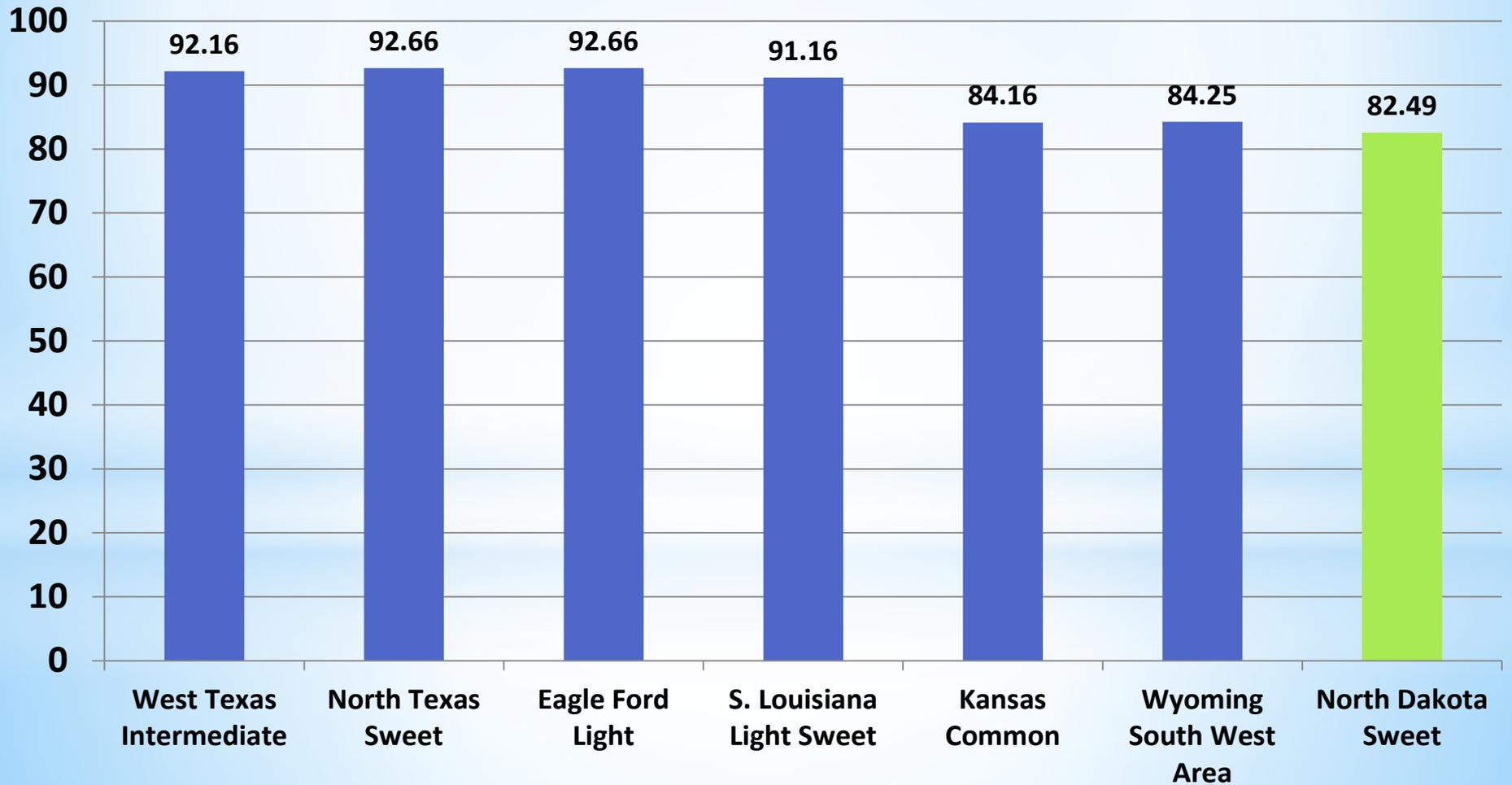




Crude Oil Prices, by Grade

June 2011

Dollars per barrel

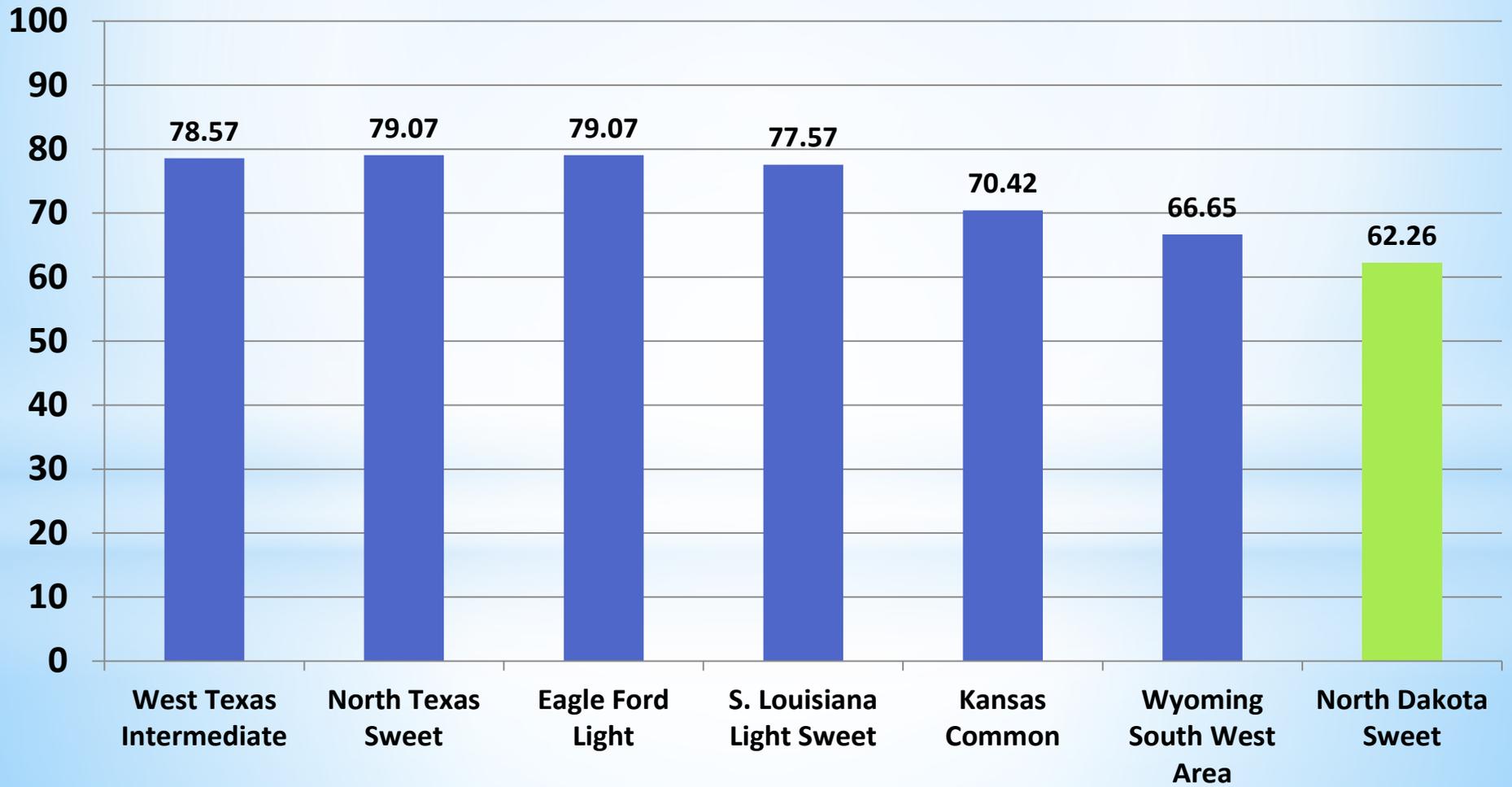




Crude Oil Prices, by Grade

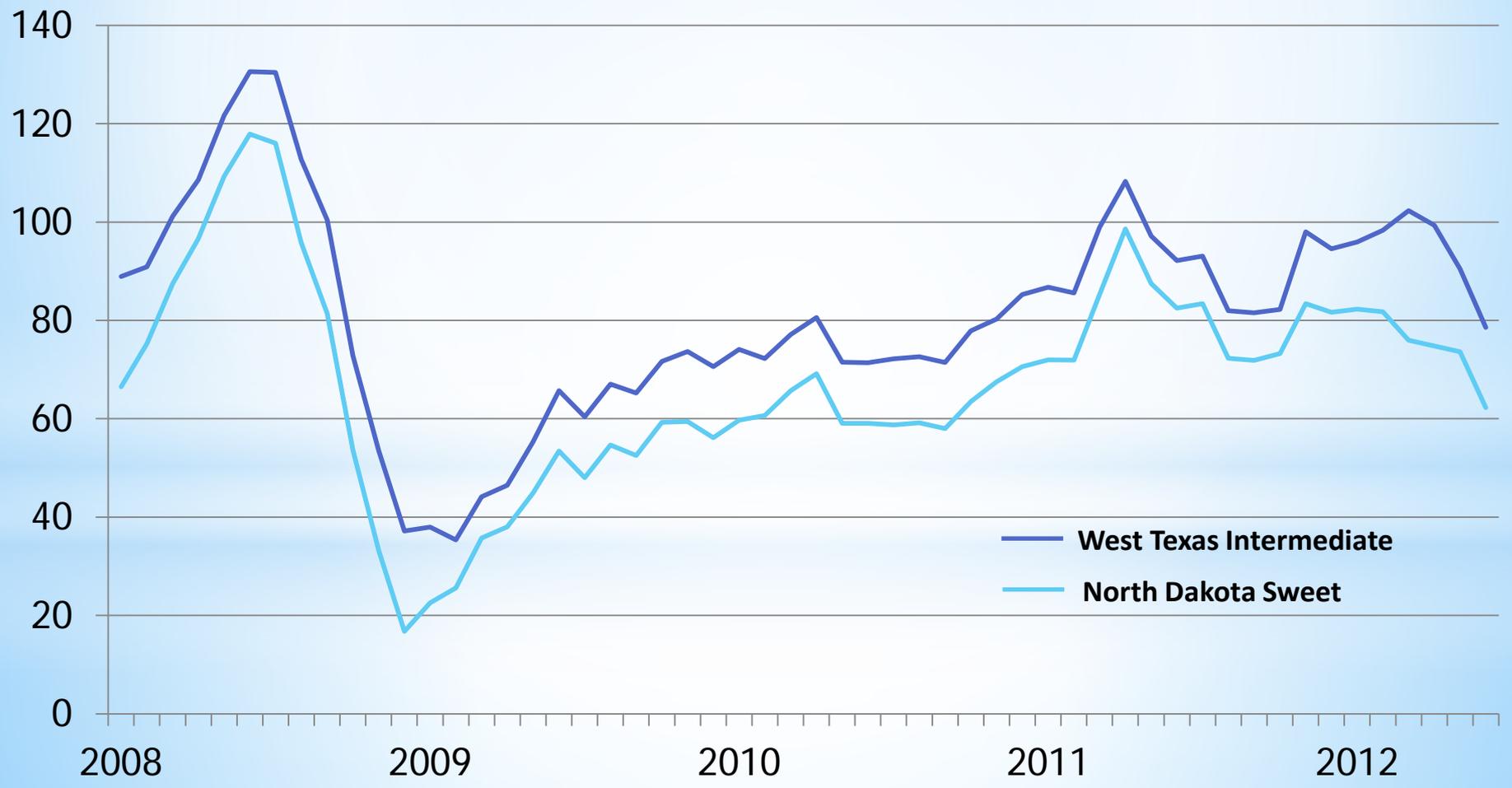
June 2012

Dollars per barrel





Crude Oil Prices, by Grade





Questions?