

**ASSESSMENT OF  
SOCIOECONOMIC IMPACTS  
EXPECTED WITH THE KEYSTONE  
XL PIPELINE PROJECT**

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**October 2009**

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## SECTION I - INTRODUCTION

The purpose of this report is to provide a summary of likely socioeconomic impacts that can be expected in connection with the construction of the Keystone XL pipeline that, if approved, will occur in Western South Dakota in 2011 and 2012. The purpose of this pipeline is to transport crude oil resources from locations in Canada into the central and southern United States for refining purposes.

The pipeline design shows that it will enter South Dakota's extreme northwest corner in Harding County and travel in a southeasterly direction bisecting Haakon County in the west-central part of the state and finally exiting South Dakota near the southeast corner of Tripp County east of the city of Winner. In all, construction costs for labor and materials that will occur in South Dakota approximates \$921.4 million of which \$154.4 million is labor costs. Of this amount of total labor costs, about half will occur as direct wages to workers.

A similar pipeline owned by the same company is being completed in Eastern South Dakota at the present time. Construction of this project began in 2008 and the portion of the project that traverses South Dakota will be essentially complete in 2009. The fact that this earlier pipeline has been nearly completed is extremely beneficial in determining the expected impacts of the second (Keystone XL) pipeline. This is reinforced by the fact that both projects are planned, engineered and administered by the same organization. Accordingly, the methodology leans heavily toward taking advantage of the experience witnessed in South Dakota over the span of time encompassed during the construction of the first Keystone project.

A lesser input to this assessment process consists of experience gained in Wyoming over many years of witnessing numerous pipeline projects of all types. Personnel from the Wyoming Industrial Siting Council and Wyoming Pipeline Authority were relied on for insight in this regard.

Sectors of interest in this analysis include retail sales that are similar to those impacted by the South Dakota travel industry such as eating and drinking establishments, lodging and general

retail trade. Other business sectors include health, housing and agriculture. Social services such as ambulance, police and fire are also discussed. Although it is not the major emphasis in this study, the visitor industry receives some discussion because so many of the spending sectors that are expected to be affected by pipeline construction activity are common to those affected by the visitor industry.

Focus is nearly exclusively directed to the construction phase of the project since the operational phase of the project is clearly minor with respect to the regional economy. Only 6 employees assigned to two locations will be required to operate and maintain the pipeline in South Dakota during its actual operation. Annual labor costs in current dollars is estimated to be \$860,000 for these workers. (Response to Staff's First Data Request, May 1, 2009, #1.7.) However, one significant impact that will be associated with the operation of the pipeline concerns *ad valorem* or property taxes that will accrue to school districts and county governments, a subject that will be explored in Section VI.

## SECTION II - METHODOLOGY

Evidence gained by historical comparison embodies objective qualities that cannot be gained using other methodologies.

### **Methodology of Historical Comparison**

An objective assessment of the likely impact in some sectors can be accomplished by historically researching the *actual* impact experienced during the construction of the first Keystone pipeline project nearing completion at the present time in 2009. Insight is gained by studying movements of business volume within sectors during peak construction periods of the Keystone pipeline in Eastern South Dakota. These inferences can be applied to the proposed pipeline by making comparisons in workforce requirements and adjusting for the current size of these local economies.

Taxable sales in the counties where the bulk of workers resided are compared with like months from the year previous in selected sectors. For the years of 2008 and 2009, this type of comparison is complicated by the fact that the national economic slowdown took place at the same time that increased economic activity produced by the pipeline project increased. Much of the likely pipeline economic impact was therefore offset by reduced activity by other spending units.

For a number of reasons expectations concerning social impacts related to the Keystone XL project can be determined with some degree of certainty in the present case. First, the new Keystone XL project is programmed to begin quite soon after the completion of the first project making long term changes in social behavior less of a factor. Second, the same company is planning and organizing Keystone XL as was the case for the first pipeline. There is accordingly some likelihood that many of the same subcontractors or at least the same standards for selecting subcontractors will be used for both projects. This increases ones confidence in the use of the historical comparison methodology. Finally, it may be expected that the standards and conditions imposed on the Keystone XL project will mirror those of the first project.

In the present instance, there are reasons to temper inferences derived from the outcomes experienced during the first project. First, significant demographic and geographic differences existed along the route of the first project in eastern South Dakota to that what will be encountered along the Keystone XL pipeline route in the western part of the state. The pipeline that is nearing completion in eastern South Dakota benefited by the geographical proximity of four relatively large cities somewhat equidistantly dispersed along the route. These four cities consist of Aberdeen, Huron, Mitchell and Yankton. Each of these cities contained ample businesses that were able to provide needed goods and services for pipeline employees. Together, their infrastructure includes thousands of lodging units and RV parks spaces supplemented by numerous apartment and other rentals. In addition, many smaller communities along the first pipeline route also provided basic employee needs while working near them.

Winner with a 2000 population of 3,137 is the largest city near the proposed Keystone XL route and is situated near the Nebraska border. Winner's population is about one-fourth the population of Huron, the smallest among the four larger cities relied on by workers along the eastern pipeline route. To complicate the logistical environment, the number and spacing of smaller communities are very limited along much of the Keystone XL route.

Apparently in response to this reality, the company has developed a housing plan to board and room workers in two worker camps for the duration of this construction in South Dakota. This matter will be more fully addressed later in this report.

### SECTION III - ECONOMIC IMPACTS

A general review of the economic impacts that occurred during the construction of the Keystone pipeline in Eastern South Dakota shows that a positive economic stimulus took place in the four larger communities of Aberdeen, Huron, Mitchell and Yankton. This is verified through interviews with chambers of commerce, and visitor bureaus of these towns. As expected, the eating and drinking establishments and lodging businesses were among the most significantly affected by spending that was required by employees living in these towns. However, evidence suggests that retail sales in general were also boosted in other communities along the pipeline route.

A field visit along much of the pipeline in September also verified that smaller communities, because of the familiarity of their localized trade patterns, were probably more noticeably impacted by increased business volumes. Smaller towns with only one or two moderate sized motels and a very limited number of eating and drinking establishments undoubtedly felt a more pronounced business impact than the better diversified larger communities referred to earlier. It was also apparent during interviews that a certain level of competitiveness developed among the smaller communities each vying for the potential economic benefits that pipeline workers afforded them.

It is appropriate to place in perspective the magnitude of the spending stimulus received by communities near the first pipeline project in South Dakota. The original application for the project indicated an expected cost of \$303 million in the state. This would imply that labor costs would approximate \$50 to \$70 million. Net wages to workers would be some fraction of this amount of perhaps \$35 to \$45 million. Thus, some portion of this amount would translate into spending in South Dakota while working in the state.

By way of comparison, taxable sales for retail purchases and services in the four counties of Brown (Aberdeen), Beadle (Huron), Davison (Mitchell) and Yankton (Yankton) amounted to 1,402 million during the last fiscal year. It can be concluded that economic stimulus, while positive for impacted communities was moderate by comparison of taxable sales in general.

Subsectors within services and retail sales sector that are likely to have been influenced to larger degrees consist of lodging services, eating and drinking establishments, and department store sales. The following table represents percentage changes in taxable sales in counties judged to be most significantly impacted by pipeline worker spending. (Source: Sales Tax Report, SD Department of Revenue.)

TABLE 1

<b>PERCENT CHANGE IN TAXABLE SALES BY SELECTED SECTOR MARCH- JULY 2008 COMPARED TO MARCH-JULY 2009</b>			
	<b>Dept. Stores</b>	<b>Eating and Drinking</b>	<b>Lodging</b>
Brown	3.0%	3.1%	-8.7%
Beadle	3.5%	2.7%	11.8%
Davison	-0.3%	7.4%	-3.1%
Yankton	0.0%	6.2%	-6.9%
Overall Average	1.1%	2.7%	5.6%

The reader is reminded that a sizeable portion of expenditures for lodging in hotels and motels are not subject to the sales tax. South Dakota statute exempts sales taxes on motel and hotel lodging when rental contracts are executed with guests that involve more than a 28 day stay. If no contract is pre-arranged, the expense of any length of stay beyond 28 days is also tax exempt. (Information provided by South Dakota Department of Revenue.)

Most, but not all of these sectors experienced growth in taxable sales in these counties from 2008 to 2009 during the March through July window of time that would have been associated with the largest number of pipeline employees in the state. When the overall changes in these sectors are averaged, department store taxable sales increased by 1.1 percent, eating and drinking establishments grew by 2.7 percent and taxable sales in lodging facilities grew by 5.6 percent.

It should be reiterated that the one year time period analyzed here was also associated with a dramatic deterioration in economic conditions nationally with similar, but less severe reductions in economic activity in South Dakota. It is likely that recessionary slowdowns that occurred because of the national economy were mitigated substantially in these and other counties located near the pipeline project.

The Keystone XL pipeline has the potential to be a larger economic stimulus to Western South Dakota than was the case with the earlier pipeline in Eastern South Dakota. First, the length of the Keystone XL pipeline is projected to extend 313 miles as compared to the first pipeline of 220 miles. Second, labor, material and other costs of the Keystone XL project is estimated to be \$924 million in South Dakota compared to \$302 million for the earlier Keystone pipeline. Finally, the existing regional economy in Western South Dakota is far smaller in terms of available retail and service capacity than was the case for the first Keystone pipeline.

Tempering this conclusion is the company's recognition of limited commercial services in this area of South Dakota.. This recognition probably influenced its decision to mitigate the capacity constraints by planning two worker camps for the duration of the construction phase. One of these camps is presently envisioned for the vicinity of Union Center and the other will be near Winner. Each is to be designed with a capacity of 600 workers. (Keystone XL Application, Final Draft.) Such facilities will mitigate the reality of limited retail and service facilities for transient workers near the construction corridor in Western South Dakota. This factor makes any attempt to estimate spending for goods and services in the private economy subject to considerable error.

The project in Eastern South Dakota benefitted by the proximity of ample opportunities for various forms of living accommodations. About 25 percent of the approximate one thousand workers rented apartments or houses, 25 percent stayed in RV parks and 50 percent lodged in motels and hotels. A distinct difference in spending patterns will be experienced during the construction of the Keystone XL project in Western South Dakota because of the operation of worker camps to house and feed the majority of the work force.

Yet, there will be a demand for a variety of goods and services in terms of ordinary living expenses such as transportation, recreation and other miscellaneous purposes in small towns and larger cities in the Black Hills and other communities near the Missouri River.

## SECTION IV - SOCIAL IMPACTS

For convenience, public safety and emergency services as well as health delivery services are herein referred to as social services. They all have a degree of separation from the economic system making them distinct from impacts that have been discussed earlier in this analysis. It is also common in most communities that these services are supported in part by local tax revenues and fees unlike the business sectors discussed earlier.

Perhaps the best barometer of social impacts for the Keystone XL pipeline is what was actually experienced in later 2008 and 2009 in counties along the pipeline corridor in eastern South Dakota. This is due to the fact that the same company that was involved in the eastern pipeline is also organizing, planning and will be hiring subcontractors for the proposed Keystone XL pipeline.

This factor was the compelling reason why a relatively detailed field study supplemented by telephone interviews was conducted of those closely connected to the delivery of these social services. During this field study process, various individuals representing these social services were contacted in person in the counties of Davison, McCook, Hutchinson and Yankton. City representatives in Mitchell, and Yankton were contacted. Telephone interviews were made with county representatives in Beadle and Brown Counties and also the town of Groton. Summaries of these personal and telephone interviews appear in the following classifications.

### **Law Enforcement**

Generally, all of the comments received from law enforcement personnel were positive. Contacts with pipeline employees were rare as reported by representatives in sheriff and police departments. In the northern section of the project, some law enforcement contact was made early in the process primarily involving traffic violations. However, it soon declined to a negligible level for the entire remainder of the project. In the vicinity of Mitchell and Huron even less contact was made with pipeline employees, referencing no more than three or four traffic related contacts. In the vicinity of Yankton, the comments were even more positive. For

example, the sheriff of Yankton County could not recall even one law enforcement contact with anybody connected with the project.

Some law enforcement personnel from smaller communities noted increased traffic going through certain parts of the community during peak construction periods. Such increased traffic did not produce a need for added patrol or other work detail, however.

Perhaps, most important was the fact that not a single instance of illegal drug contacts were made by any law enforcement body interviewed. The experience in Wyoming in connection with such projects is that if any law enforcement problems are encountered from pipeline crews the most serious are drug offenses. It was also pointed out that this problem is the most difficult to deal with among various communities in Wyoming when problems are encountered. (Source: Communication from Director, Wyoming Industry Siting Council.) Apparently all of the subcontractors involved in the earlier Keystone project had a zero tolerance for drug abuse among their employees.

No respondents reported that an added workload was imposed on their respective departments during peak periods of work activity. Also, respondents indicated that no added costs were added to departmental operations. No law enforcement respondents could cite instances where they had learned that their counterparts in other counties and communities experienced added workload or expenses of any kind.

## **Fire Protection**

No instances of calls for service for fire suppression were discovered during the field visit. It should be pointed out, however, that many areas along the construction corridor are served by rural fire protection districts for which contact is difficult to obtain. There was one instance of a small fuel spill that was not ignited but a call was made to a local department to assist in the proper clean-up of the area involved.

## **Emergency Services**

Public safety organizations interviewed could recall few if any instances where ambulances or EMT personnel were called out to a pipeline work area or a place of residence of a pipeline employee anywhere along the route.

## **Health Services**

Health delivery facilities in Mitchell, Salem and Yankton were contacted concerning added medical services required by pipeline employees or members of their families. Hospitals such as those found in Mitchell and Yankton could not cite any admissions due to accidents or illness during the project duration. Aberdeen and Huron hospitals reported similar experiences.

Medical clinics and doctors offices were utilized to a limited degree by families of pipeline workers within the communities in which they resided. All respondents reported that the added workload was easily accommodated by excess capacity in their clinics and all indicated that patients were covered by health insurance and collection of amounts due were not problematic.

## **Public Education Services**

Officials from administration offices of three large public school systems near the pipeline corridor were interviewed to determine the approximate number of students from pipeline construction families that were enrolled in kindergarten through twelfth grades in their respective

districts. In all cases the degree of impacts was sufficiently small that no formal tracking was warranted for any of the districts. One district reported less than twelve students, one estimated ten and the other estimated less than six. In no case were any extra costs imposed on the districts and no extra personnel were required. All of the responding school districts reported excess capacity in general within their districts.

In Summary, the experience from the standpoint of social service delivery organizations along the construction corridor was distinctly positive. This is not universally found in pipeline projects in other states. This outcome could perhaps be explained by a combination of company policy standards and conditions that were imposed in connection with the permitting process.

## SECTION V - OTHER SOCIOECONOMIC IMPACTS

### **Agricultural Impacts**

Agricultural criteria incorporated in the Keystone XL project application is similar to that which was included in the 2007 application for the first Keystone pipeline. This criterion highlights the nature of the unavoidable temporary disturbances to agricultural acreage during and immediately after construction and specifically outlines agricultural remediation measures. Because of the similarity of company policy with respect to agricultural issues, an effort was made to contact agricultural interests along the Keystone pipeline corridor in Eastern South Dakota. Informal interviews were conducted with farmers who owned or leased land on the corridor and two farm landlords were also contacted. In short, agricultural interests seemed satisfied with their negotiations, resulting agreements and the company's carrying out of details associated with the agreements.

Although exact numbers were not easily acquired from those interviewed, it appears that in the area where these interviews were conducted a typical access easement involved a payment of approximately \$40,000 per mile of land. In addition ample mitigation has been arranged for loss of crop or grassland production for the interruption in production caused by construction activity and post-construction restoration. No one interviewed indicated that the amounts involved were unfair. In talking to other farm operators who lived near the project, but had no land on the corridor, it was sensed that there was feeling of lack of good fortune on their part.

The primary reservation relative to the project was concern some farmers expressed about the return of their farm-to-market roads to original condition. Although those interviewed acknowledged that pipeline work near their operation was not complete, road conditions remained as the only issue they showed concerns about. By the same token, all of those interviewed had no major worry road rehabilitation would not be performed by the company.

## **Tourism**

Generally, the visitor industry is of considerable economic importance in Western South Dakota. In terms of employment, tourism is probably the largest employer in the private sector in this region of the state. Economic activity in this industry is geographically concentrated in the six county area of the Black Hills. The primary leisure travel corridor utilized by visitors who originate from the east is Interstate 90. In relative terms, other east-west highways such as state highway 34 and federal highways 18 and 212 together account for only a small fraction of annual travelers originating from eastern states.

Several smaller communities adjacent to Interstate 90 in Western South Dakota have evolved into service oriented economies catering to visitors with the Black Hills as their primary destination. One such community that lies a few miles west of the point at which the pipeline project intersects Interstate 90 is the town of Murdo. This small town contains between 200 and 300 lodging rooms, less than 100 RV spaces and a small number of eating and drinking establishments and local visitor attractions. Many of these ancillary businesses depend on lodging facilities for housing overnight travelers to increase the likelihood of visitor traffic into these establishments. A potential exists for capacity constraints in lodging facilities during the summer travel season.

This issue appears to have been addressed in connection with the worker housing plan according to a response to questions addressing the interaction the project may bear to the tourism industry. Work on the pipeline will be undertaken from May to November of 2011, but workers associated with this phase of construction will be housed in a worker camp operated by the company and located near Winner, South Dakota. Personnel associated with the project are accordingly confident that work activity during this span of time will have minimal impact to the Murdo vacation travel industry during the summer of 2011.

The 9 month span from September through May in Murdo is characterized by underutilization of lodging units. In similar situations, other communities adjacent to the first Keystone project such off-season lodging opportunities afforded by pipeline workers were welcomed. In this sense

opportunities may present themselves for Murdo motels to extend their traditional peak volume season in 2011 beyond the three summer months.

## **Housing**

Among all logistic issues associated with the proposed Keystone XL pipeline, housing is the most difficult to deal with along the corridor. With the exception of Winner, South Dakota there are very few motel or RV accommodations within practical daily drive times. Some very limited lodging facilities exist in Philip and Kadoka, South Dakota. Additionally, one small motel is located in Buffalo, SD near the extreme northern segment of the proposed Keystone XL corridor.

Living accommodations in the vicinity of the first pipeline project benefited by large communities within a reasonable distance of the project. Together the communities of Aberdeen, Huron, Mitchell and Yankton contain thousands of lodging units and RV spaces and other rentals. Many other smaller communities along the corridor supplemented these numbers which enabled the project employees to be easily supplied with many living options.

This lack of infrastructure within the private economy prompted plans by the company to construct and operate two temporary construction camps to be located in the general areas of Union Center and Winner, South Dakota. These facilities will have a design capacity of about 600 workers each and will therefore house virtually all of the workers on the project if needed. They will be constructed and operated in accordance with applicable county and state rules and standards.

## **Recreation**

Aside from attractions associated with the leisure travel industry, hunting is the main recreation activity in the vicinity of the Keystone XL pipeline. In the southern one-third of the project corridor, upland bird hunting is the major hunting activity. The northern two-thirds of the project is oriented more to big game hunting including deer and antelope. Each area possesses a variety of hunting opportunities so both big game and small game are pursued from one end of the Keystone XL project to the other.

There are a total of four Game and Fish Department game production areas within 2 miles of the proposed corridor in South Dakota. One is located near Harding County and the other three are located in Tripp County at the south end of the project. Two of them are located between 1.4 and 1.6 miles of the project corridor. These areas will likely experience very little conflict with the construction project. One game production area in Tripp County is located .2 miles from the corridor. (Response to Staff's third data request, August 21, 2009.) Construction of this segment of the project is programmed presently to occur in 2011. Given its proximity to the construction activity it seems apparent that there will be some temporary disturbance of the game production area during that year in terms of production and in sportsmen being able to utilize the area for recreation.

Commercial upland bird hunting in Tripp County is a particularly well developed sub-industry of the tourism industry. Several commercial hunting operations exist in the county and other land is leased for hunting purposes by these and other commercial hunting operations. Pipeline construction work may have to be coordinated time-wise to cause the least amount of conflict possible during the mid October and November periods of 2011 and 2012. There may be other cases where private game production on or near the corridor may experience disruption during the growing season. In such cases remediation for lost production would need to be compensated similar to other agricultural purposes.

Other conflicts with hunting activity primarily during the fall months of October and November could possibly arise on private land near the corridor. Mitigative measures may have to be

developed by the South Dakota Department of Game Fish and Parks in connection with issuing big game licenses that will guard against unsafe conditions for workers during open hunting seasons near work sites.

## SECTION VI - LONG RUN FISCAL IMPLICATIONS

State and local fiscal benefits occur both in the short run and the long run for projects such as the Keystone XL pipeline. Workers who would temporarily locate in South Dakota during the construction phase of the project would pay state and local sales tax on purchases of goods and services. It is recalled from earlier in this report that total labor costs are estimated to be about \$154.4 million. About one-half of this amount, or \$77.2 million occurs as direct wages to employees. Disposable income derived by subtracting payroll deductions from direct wages would reduce this number by an additional amount. Since most workers maintain permanent residences elsewhere a significant portion of net wages are exported from the South Dakota economy. Yet, it is reasonable to assume that at least \$20 million or more could find its way into the taxable sales stream. Other fiscal impacts in the form of fuel taxes and gaming revenue are other examples of benefits that could be received in the short run. Any such spending of this type is transitory in nature and relatively moderate during the construction phase of the project, however.

According to South Dakota Statute, a portion of the sales and use taxes associated with qualified purchases and use of equipment and supplies are refundable in many projects such as pipelines. (See SDCL 10-45B) Yet there are considerable sales taxes that will be paid by subcontractors and the company, itself.

The preceding discussion dealt briefly with the short run fiscal benefits to the state. A far more significant fiscal benefit to the state of South Dakota concerns the ad valorem or property tax that will accrue each year for the useful life of the project.

Property taxes in South Dakota are a main funding source for the public school system and for the operation of county governments. Typically two-thirds of property taxes paid are directed to various public school funds with the rest flowing to county governments. Some counties that contain school districts carrying bonded indebtedness will find more than two-thirds directed to school purposes.

The following chart summarizes the tax base upon which taxes are assessed for 2008 in the counties that contain a portion of the Keystone XL corridor.

TABLE 2

<b>ASSESSED VALUE PER COUNTY 2008*</b>	
HAAKON	260,542,837
HARDING	152,070,577
JONES	216,388,389
LYMAN	412,169,588
MEADE	1,440,383,063
PERKINS	265,769,914
TRIPP	530,093,550
<b>TOTAL</b>	<b>\$3,277,417,918</b>

\* Counties to be traversed by Keystone XL Pipeline

According to SDCL 10-37, the ultimate distribution of the assessed value of the pipeline will be determined by the revenue department according to the proportion of the pipeline value found in each county. Two counties, Perkins and Lyman, include very small distances of the planned pipeline so would not experience the degree of benefit as will the other listed counties.

The method of determining the assessed value of the pipeline described in the statute is complex and suggests that the appraisal technique is a blend of the replacement-cost-less-depreciation method and the income method. In essence, this means that initially, the focus is on the cost of the improvement modified by a mechanism that compares the rate of return of the company with the cost of doing business. This modification would allow the assessed value to exceed its replacement cost or fall short of the replacement cost - depending on this comparison. Exact valuation is determined by the South Dakota Department of Revenue.

There is no suggestion that this is the correct assessed valuation, but for purposes of this discussion it is assumed that the assessed value of the pipeline passing through South Dakota is equal to \$921.4 million, its expected total cost of design and construction. This would amount to a 28 percent aggregate increase in assessed value for the eight affected counties in Western South Dakota. Each specific county would experience a different relative increase depending on the level of their existing assessed value and depending on the proportion of the pipeline improvement lying with the county. Overall, the ad valorem tax impact to counties and school districts is very substantial, with some counties with small current valuations possibly experiencing a doubling of assessed valuation.

The reader is reminded that the above numeric example is for illustrative purposes only and any percentage change in assessed value is subject to the valuation that is ultimately established for the Keystone XL pipeline.

## EXECUTIVE SUMMARY

The major finding from the background research during this report is that the perceived risk and uncertainty which may have existed prior to the beginning of the first Keystone pipeline in Eastern South Dakota has been alleviated by community stakeholders through the actual experience of the pipeline construction process. Moreover, imminent completion of this project has provided a ‘proving ground’ for successive pipeline projects in the state. Many of the causes for concern in the earlier project have served to allay these same concerns connected to the pending Keystone XL project.

As in most projects of this magnitude, the positive economic benefits are usually unambiguous, but are frequently offset somewhat by social and environmental uncertainties. This document has dealt with the economic and social impacts. A central theme of the preceding analysis is that, given the similarity, proximity in time, and commonality of planning and organizational responsibilities ones confidence in a methodology of historical comparison is heightened. In the present case experience with most if not all of the economic and social impacts are positive or neutral.

The following table summarizes the findings discussed in more detail in the body of the report. The retail sector is projected to experience moderate growth in revenue. Retail businesses providing goods that are directly bought by construction workers will experience the largest growth. Other businesses will see revenues grow through indirect spending. Businesses that provide supplies directly required by the project itself will experience increased revenues, with moderate increases in labor requirements.

Displacement of traditional leisure travelers in Western South Dakota by construction workers demanding the same goods and services is likely to be limited to the summer season. Any potential impacts are likely to be mitigated because of the intent on the part of the company to utilize temporary worker camps within driving distance to the project. Murdo, the community

**TABLE 3 - IMPACT SUMMARY**

<b>Industry</b>	<b>Source of Economic Impacts</b>	<b>Direction of Impact</b>	<b>Net Impact</b>
Retail	Revenue	Positive	Positive
	Increase in Labor Costs	None Significant	
Leisure Travel	Revenue	Positive	Positive
	Labor Costs	None Significant	
	Displacement of Traditional Users	None Significant	
Health	Revenue	Positive	Positive
	Labor Costs	None Significant	
	Displacement of Traditional Users	None	
Law Enforcement	Volume	Somewhat Positive	Moderate Negative
	Labor Costs	None	
Emergency Services	Volume	None	None Significant
	Labor Costs	None	
Fire Services	Volume	None	None Significant
	Labor Costs	None	
Agriculture	Revenue	Positive	Positive
	Labor Costs	None Significant	
Recreation	Environmental competition	Somewhat Negative	Moderate Negative
	Displacement of Traditional Users	Somewhat Negative	
Housing	Revenue	Positive	Positive
	Displacement/Rent Increases	Minor	
Fiscal Resources	Sales Tax Revenue	Positive	Substantially Positive
	Property tax Base	Substantially Positive	

with potentially the largest tourism impact in proximity to the project, has specifically been addressed by the company through providing board and room for workers via a temporary worker camp near Winner. Any impacts to that community will occur in 2011 and is therefore expected to be minor during that year.

Most sectors are impacted by changes in gross revenues. Agriculture does not appear to have been significantly impacted, but landowners on the pipeline corridor have benefited significantly by access or easement fees. Any loss in production is projected to be compensated by the company. Labor expense for farmers is not expected to noticeably increase due to increased competition from the pipeline project since most of the workers will be coming in from other regions of the country. This conclusion is reinforced by the fact that the project is of a short-term nature for any positions that will be available for local residents. On balance, most sectors are projected to experience an economic benefit because increases in revenues will exceed increased labor expenses.

Moderately increased revenue is expected to be the primary economic impact accruing to the health industry in connection with the project.

An increased demand for labor created by the construction of the pipeline may induce higher local wages in the short term for businesses. Generally, sectors providing goods and services directly to the project will experience the highest growth in demand for labor, but will probably not significantly increase wage rates due to the very short-term nature of the growth in business volume.

Because of its unique nature, the need for housing has the potential to generate negative community impacts in towns such as Buffalo, Belle Fourche, Philip, Murdo and Winner. Any substantial increase in temporary housing demand may produce increased competition seen by

local tenants as competition from temporary construction workers, earning higher than average wages, takes place. This, in turn, may produce undesirable economic consequences in the long run if displaced tenants choose to leave the area permanently. However, the project plan provides a mitigation of these impacts by the operation of large construction camps in the vicinity of Union Center and Winner. It is important that these worker camps be a part of the company commitment to help ease the load on local housing stocks.

The major positive benefit associated with the project consists of long run additions to the property tax base. For counties and school districts traversed by the pipeline, ad valorem taxes will rise substantially or alternatively overall tax rates will decrease substantially for all property taxpayers. Moreover, this fiscal benefit will accrue each year as the pipeline continues to be utilized.