

Regional Economic Impact of Cass County, ND and Clay County, MN

GFMEDC Mission

The mission of the Greater Fargo Moorhead Economic Development Corporation (GFMEDC) is to grow and diversify the economy in Cass County, N.D. and Clay County, Minn. through the attraction, retention and expansion of primary sector businesses. Primary sector businesses are those that export the majority of their goods and services outside the community and therefore bring new wealth into the economy. Primary sector businesses can be located anywhere because they are not tied geographically to their customer base. Examples of primary sector industries include manufacturing, back office operations and technology.

FM MSA Economy

The Fargo Moorhead metropolitan statistical area (FM MSA) is defined as Cass County, N.D. and Clay County, Minn. The Census Bureau population estimate was 220,134 in 2014. In December 2014, the most recent month for which data is available, the labor force, or those people either employed or seeking employment, was 124,877. Of this, 121,318 people were employed, for an unemployment rate of 2.9%, the ninth lowest in the United States; Midland, TX had the lowest at 2.1%.

The gross domestic product (GDP) for 2013 of the FM MSA was estimated at approximately \$14.5 billion by the Bureau of Economic Analysis. The GDP for the state of North Dakota during the same time period was approximately \$56.3 billion; Minnesota's GDP was \$312 billion. GDP is not available on a county basis.

The FM MSA economy is very diverse, which has contributed to our comparatively strong performance during the recession. This is illustrated in the following chart, which shows employment by industry for December 2014:

Industry Classification	Employment
Mining, Logging, and Construction	9,000
Manufacturing	10,300
Trade, Transportation, and Utilities	30,900
Information	3,300
Financial Activities	10,100
Professional and Business Services	15,800
Educational and Health Services	22,300
Leisure and Hospitality	14,600
Other Services	5,200
Government	18,500
Total non-farm jobs	140,000

Based on our 2014 Annual Employment Survey, jobs in the primary sector are split between manufacturing (37%), value-added agriculture (6%), information technology or IT (18%), distribution (5%), life sciences (1%), physical sciences (1%), back office (25%) and corporate headquarters (7%).

The total amount of wages collected in the FM MSA can be measured by the Bureau of Labor Statistics' Quarterly Census of Employment and Wages, which measures the total payroll of public and private employers, with the exception of farms. Based on 2013 full year data, annual wages were \$4,844,687,884 in Cass County and \$638,758,893 in Clay County, for a total of \$5,483,446,777.

The total value of taxable property within the FM MSA is \$18.8 billion. The chart below illustrates taxable value by category in Cass and Clay Counties.

	Cass County	Clay County
Commercial	\$4,847,075,500	\$544,713,900
Residential	\$6,932,006,350	\$2,592,025,050
Agricultural	\$1,025,501,800	\$2,549,804,594
Other		\$363,698,556
Total	\$12,804,583,650	\$6,050,242,100

Cass County generated \$67 million in personal income tax for North Dakota in 2013, while Clay County generated \$61 million for Minnesota in 2012.

In the most recent data, citizens of and visitors to the FM MSA spent a total of \$3,510,158,352 on taxable sales and purchases: \$3,125,583,081 in Cass County (2013) and \$384,575,271 in Clay County (2012). Utilizing the state sales tax rates for North Dakota (5%) and Minnesota (6.875%) the taxes equate to \$156,279,154 generated for North Dakota and \$26,439,550 generated for Minnesota.

Regional Impact of the FM MSA Economy

The FM MSA economy plays a significant role in the health of the region that extends beyond the borders of Cass and Clay Counties. One of the most impactful ways is through the provision of jobs. There are 110,946 total primary jobs in the FM MSA, according to the Census Bureau's Longitudinal Household Dynamics OnTheMap data tool (2011 data): 94,418 in Cass County and 16,528 in Clay County. A primary job is defined as the one job for each worker that provides the most earnings. By analyzing primary jobs, you are seeing "one job per worker," rather than all the jobs held by the workers in the region.

The FM MSA provides jobs to a wide geographic base. The most significant labor flows are between the two counties: Cass County residents working in Clay County and vice versa. However, a number of other counties count the FM MSA as one of their top ten job providers.

These include:

County	Residents Employed in FM MSA
Becker, MN	1,984
Richland, ND	1,872
Grand Forks, ND	1,845
Burleigh, ND	1,413
Ward, ND	1,139
Stutsman, ND	1,058
Barnes, ND	869
Otter Tail, MN	823
Polk, MN	823
Norman, MN	553
Sargent, ND	403
Wilkin, MN	318
Grant, MN	102

This represents a large portion of the workforce in the counties and specific cities. For instance, of the total labor force in Moorhead, Minn. (22,208), 8,866, or 40%, of them work in Cass County; 4,770, or 21%, work in Clay County.

Location	Total Labor Force (# of people residing in the location who are employed or seeking employment)*	Number of people residing in location that are employed in Cass County	Percentage of location's labor force employed in Cass County
Cass County	87,024	59,984	69%
-- Fargo	62,307	45,384	73%
-- West Fargo	14,841	12,134	82%
Clay County	34,039	13,377	39%
-- Moorhead	22,208	8,866	40%
-- Dilworth	1,917	955	49%

Sources: Research 360; Census Bureau Longitudinal Employer-Household Dynamics LED OnTheMap data tool; Job Service ND, MNDEED LAUS

* 2011 Labor Force Data used to match with 2011 Census Geographic Data.

Location	Total Labor Force (# of people residing in the location who are employed or seeking employment)*	Number of people residing in location that are employed in Clay County	Percentage of location's labor force employed in Clay County
Cass County	87,024	4,646	5%
-- Fargo	62,307	3,501	5%
-- West Fargo	14,841	777	5%
Clay County	34,039	7,705	23%
-- Moorhead	22,208	4,770	21%
-- Dilworth	1,917	526	27%

Sources: Research 360; Census Bureau Longitudinal Employer-Household Dynamics LED OnTheMap data tool; Job Service ND, MNDEED LAUS.

* 2011 Labor Force Data used to match with 2011 Census Geographic Data.

From this information it is clear that thousands of workers commute to jobs in the FM MSA on a daily basis. However, workers from counties in North Dakota may not commute daily and may be engaged in untraditional work arrangements. According to Job Service North Dakota, some potential explanations include:

- College students who maintain parents' address and work part-time while attending college.
- Work for companies with multiple worksites, of which Cass County is the largest. These companies sometimes do not break out their employment in all the specific counties in which they operate.
- Wholesale trade reps whose territory lies outside the headquarter county.
- Transportation workers – airline or railroad – with a home in Burleigh or Ward County and a Cass County duty station.
- Truck drivers with routes traveling from Burleigh or Ward County (for example) to Cass County daily (mail, retail, dairy, grocery) that live at either end of the route.
- Telecommuters in IT, customer service and sales.

Bakken Crude-Oil Train Movement through Cass County

The highest levels of crude oil-by-rail traffic in North Dakota pass through Cass County. In a May 2014 report to the North Dakota Department of Emergency Services, BNSF estimated 30-56 trains containing 1 million or more gallons of Bakken crude are transported through Cass County per week. Many of the trains are more than one mile long and transport over 3 million gallons of crude. BNSF hauls approximately 75% of the oil that leaves North Dakota by train. 70% of Bakken oil is shipped via rail.

In reviewing the month of January 2015, the U.S. Energy Information Administration reported that 437,000 barrels of Bakken crude oil were shipped daily from North Dakota to East Coast refineries. This equals 13.8 million gallons of oil a day. A 2013 economic impact study published by NDSU in March 2015 states that impacts in North Dakota from the oil and gas industry totaled nearly \$43 billion. Transportation of oil and gas impacts was estimated at over \$440 million. The secondary impacts included an additional \$375 million.

Economic Impact

Economic impact can be defined as the macroeconomic effect on employment and incomes produced by a decision, event or policy. Because of the economic relationship between the FM MSA and the surrounding region, activities in the FM MSA can have far-reaching impacts.

Economic impact includes:

- Direct and indirect jobs created
- The wages paid to these direct and indirect jobs
- New residents to the city/county to fill new jobs
- Taxable spending by workers in the city/county
- Number of new residential units constructed in the city/county
- Taxable value of new residential units
- Taxable value of commercial assets such as land, buildings and equipment

These economic impacts can then be translated into additional costs and benefits for local taxing districts to determine the fiscal impact. These include:

Benefits

- Sales and Use Taxes
- Property Taxes
- Utility Revenues and Utility Franchise Fees
- Other Taxes and User Fees
- Additional State and Federal School Funding

Costs

- Costs for Providing Services to New Residents
- Costs of Providing Utilities
- Costs for Educating New Students

(Above information courtesy of Impact DataSource, Austin, Texas.)

Indirect revenues, jobs and salaries include businesses that may have supplied goods and services to the primary firm, such as equipment suppliers, construction companies, maintenance firms, etc. Direct revenues, jobs and salaries include companies that may have supplied goods and services to workers of the primary company, such as restaurants, retail stores, banks and service supported business.

Role of Primary Sector in FM MSA Economy

The GFMEDC has identified over 220 primary sector companies in the FM MSA. Of these companies, approximately 90% are in Cass County and 10% are in Clay County. Well over 17,000 people are employed by these companies.

Primary sector companies add value to a good or service which they then export outside the region, bringing new wealth into the community. These businesses can be located anywhere in the country, and sometimes anywhere in the world. A local equipment manufacturer, for example, manufactures its products in Fargo Moorhead and then sells them around the United States and to foreign countries. Sales of these products are used to pay workers in Fargo Moorhead and fund investments in buildings and equipment. Workers spend their salaries on housing, groceries, healthcare, education and other services. The dollars drawn into the community through the sale of construction and farm equipment is circulated through a variety of sectors in the economy.

GFMEDC Survey Post 2009 Flood Event

In the relatively recent flood events in prior years, businesses were negatively affected in many ways: flood damage to facilities or equipment; temporary loss of workers whose homes or property were subject to flood damage, or who felt the duty to assist in the community flood-fighting efforts; temporary disruption to shipments, customers, etc. due to road blockages or detours to accommodate flood-fighting efforts; and the mayor's request that "non-essential" businesses cease operations during the height of the flood-fighting efforts. After the 2009 flood event, GFMEDC administered a survey to select primary sector businesses asking the following question:

"If this region was devastated by severe flooding, do you anticipate your business would (circle all that apply):

- a. Move out of the county*
- b. Close down completely*
- c. Lose sales to foreign competitors*
- d. Lose production to foreign facilities"*

Of the primary sector business surveyed, seven responded yes to one or more scenarios and were willing to provide detailed financial information. This group included five manufacturers, one life science company and one back office operation.

The GFMEDC evaluated the impact of these seven companies using an economic impact analysis model developed by Impact DataSource of Austin, Texas. (An explanation of the model's methodology can be found in Appendix B.) In the event that these seven companies were negatively impacted in the ways listed above, it would translate to an economic impact of:

- 3,727 direct and indirect jobs lost
- \$180,306,366 in lost wages per year
- \$1,250,121,054 of lost revenue per year

Regional Economic Development (RED) Case Study - 2010

The GFMEDC also commissioned Impact DataSource, working in conjunction with URS Corp., a provider of engineering, construction and technical services for public agencies and private sector companies, to conduct a Regional Economic Development Study for the Fargo Moorhead Metro

Feasibility Study, published in March 2010. This study assessed the regional economic impacts associated with three aspects of a flood diversion project:

1. Construction costs.
2. Benefits associated with avoided flood damage (including avoided losses in business activity, avoided direct losses in regional product/output and losses in indirect/induced regional product/output).
3. Avoided loss in business confidence (without a permanent solution, the FM MSA will experience reduced business investment and growth).

In addition, the RED Study conducted a case study to determine the economic losses associated with a hypothetical primary sector company leaving the community.

For the results of the study, GFMEDC has an Appendix that can be shared (156 page report).