

Strategic Petroleum Reserve Richton Expansion: Socioeconomic Analysis Introduction

In 2008, DOE conducted a two phase study of the projected socioeconomic impacts of the proposed SPR expansion project in Richton, Mississippi. The goal of the study was to obtain detailed estimates and projections of the impacts of the project on a wide variety of economic factors.

The timeframe analyzed during the socioeconomic analysis encompassed three major phases of the project: Construction, Partial Operations, and Full Operations. Each of these phases covered a distinct period of time during the project. ‘Full Operations’ represented the beginning of the permanent operations that would persist after the expansion project was complete.

****It is important to note that these results were only estimates of the impacts that could occur if the project was completed as proposed. The analysis was based on assumptions made about costs, prices, dates, construction requirements and other economic variables at the time the study was conducted. Actual observations in the future would vary significantly from these assumptions, which would markedly affect the actual impacts.**

****The timeframes for the purposes of this study assumed that the construction project would begin in January 2010. The beginning of construction would actually occur at an undetermined later date which would be heavily dependant on a wide array of factors. The calendar years in this study should only be used to review the length of the project once it begins. This study does not represent any official start date of the expansion project.**

Phase I: Statewide and Regional Economic Benefits of the Strategic Petroleum Reserve Expansion Plans – April 2008

The goal of Phase I of the socioeconomic analysis was to identify the annual impact of the expansion project on employment and household earnings over the course of the project. Part 1 of this phase analyzed these annual impacts on a statewide level for Mississippi. Part 2 estimated these impacts on the three local areas where the majority of the socioeconomic impacts would occur: Hattiesburg, Pascagoula, and McComb.

Phase I used DOE budget and engineering data, state and local economic data, economic forecasts, and an economics software package to estimate the new jobs that would be created by the expansion project. Based on the number of jobs created, Phase I estimates the annual personal earnings of those workers. These earnings would spurn additional job growth through personal usage of goods and services, which in turn would create more earnings and more jobs in a “multiplier effect.” Thus, the actual number of jobs created due to this project would exceed the number of people directly employed to complete the project.

To illustrate this, these new jobs were broken down into three categories: Direct jobs (workers hired to work directly on the project), Indirect jobs (workers hired by other firms to provide goods/services to support the project), and Induced jobs (workers hired for jobs created through personal expenditures of those individuals in Direct and Indirect jobs). For each of these categories, Phase I illustrated which industries would expand to accommodate the new jobs.

Phase II: Statewide and Regional Impact on Government Finances from Strategic Petroleum Reserve Expansion in Mississippi

The goal of Phase II was to investigate the implications that the estimates from Phase I would have on state and local government finances. Like Phase I, Phase II analyzed the impact of the project on the state governments of Mississippi as well as in the Hattiesburg, Pascagoula and McComb areas.

All employee compensation for the jobs created by the SPR expansion project would be subject to Mississippi state income taxes. Therefore, this Phase II initially estimated the annual state income taxes collected from workers in the new jobs. A portion of those state income taxes would then be distributed from state to local governments. This portion was estimated for each of the above localities.

Phase II also estimates the additional government revenues collected from sales taxes paid by workers in the jobs created by the expansion project. These sales taxes are paid to the local governments, and the amount of taxable expenditures was estimated using historical economic data and the projected new earnings.

Finally, Phase II analyzed the potential impact on government expenditures that could occur due to the project. This was done by analyzing the government expenditures in parishes (counties) in Louisiana that already house SPR storage sites. After controlling for a variety of demographic and economic conditions, this phase examined whether the existence of an SPR site in a particular parish caused a significant increase in the financial expenditures by the related local government. Using widely used and accepted statistical analysis tools, this analysis concluded that the existence of an SPR location in a particular region did not significantly increase government expenditures in that region.