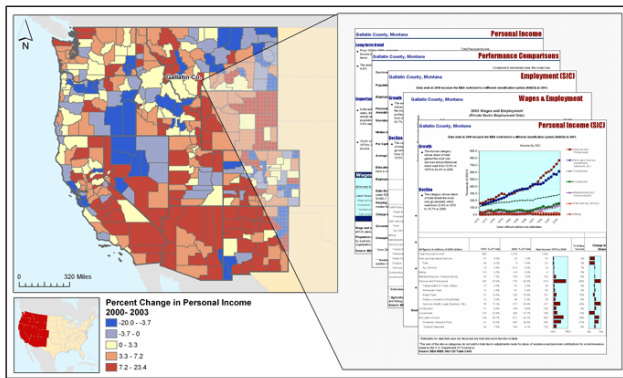


State of the Valley
Glenwood Springs, Colorado
October 24, 2008



Headwaters Economics

Mission: to improve community development and
land management decisions in the West.



Identify Issues and conduct research



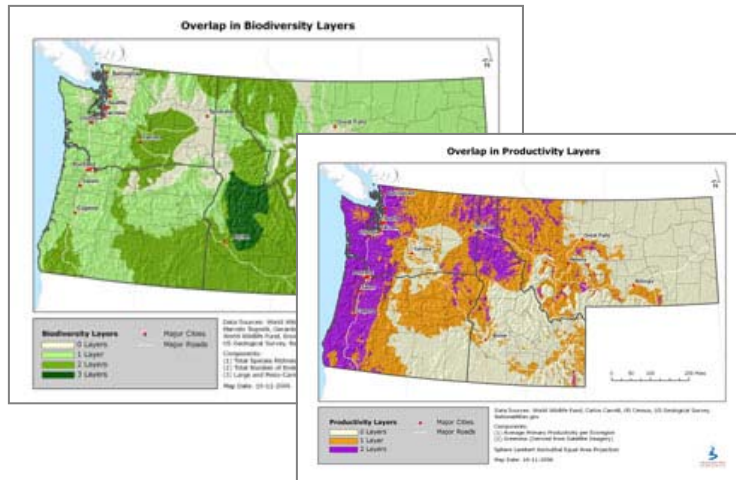
Interpret complex economic and ecological concepts



Distribute to people who can make a difference



Bring people together to implement solutions



A Report from the *ENERGY AND THE WEST* Series by



Energy Development and the Changing Economy of the West

A Report from the *ENERGY AND THE WEST* Series by



U.S. Energy Needs and the Role of Western Public Lands

No. 2 in a Series of 8 Reports

September 2008

A Report from the *ENERGY AND THE WEST* Series by



Fossil Fuel Extraction as a County Economic Development Strategy

Are Energy-focusing Counties Benefiting?

A Report from the *ENERGY AND THE WEST* Series by



Energy Revenue in the Intermountain West

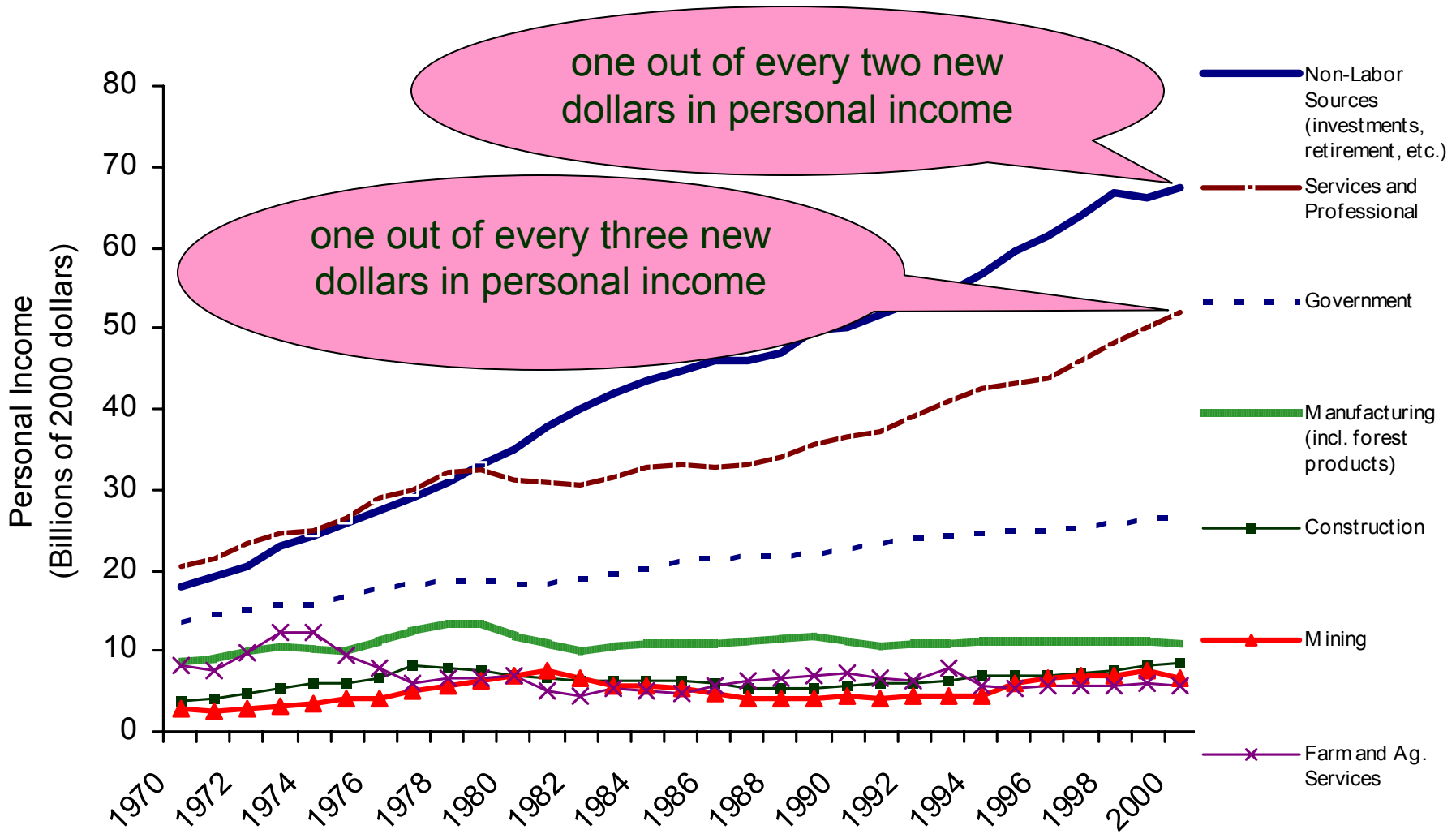
State and Local Government Taxes and Royalties from Oil, Natural Gas, and Coal

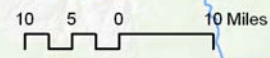
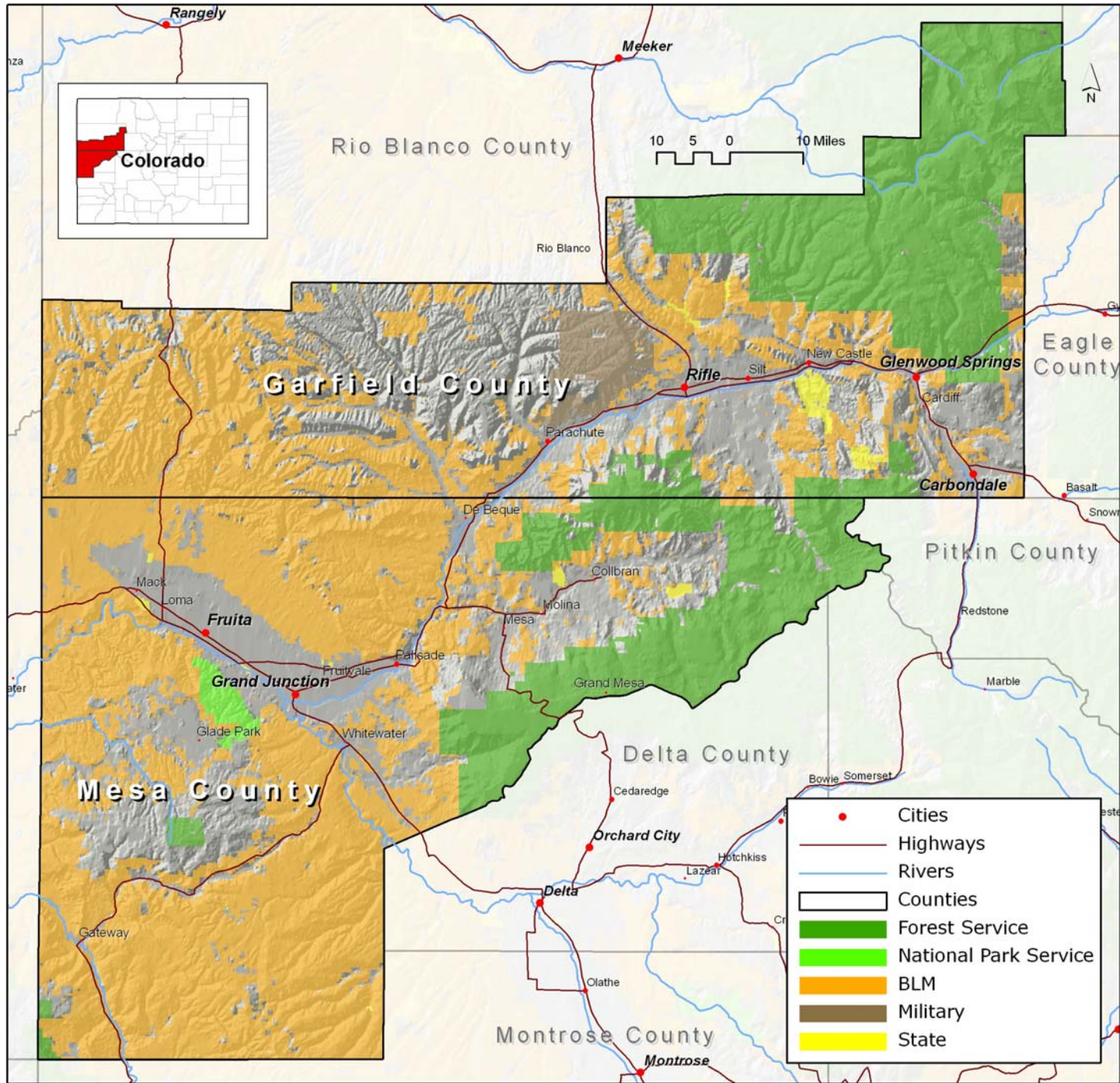
No. 4 in a Series of 8 Reports

October 2008



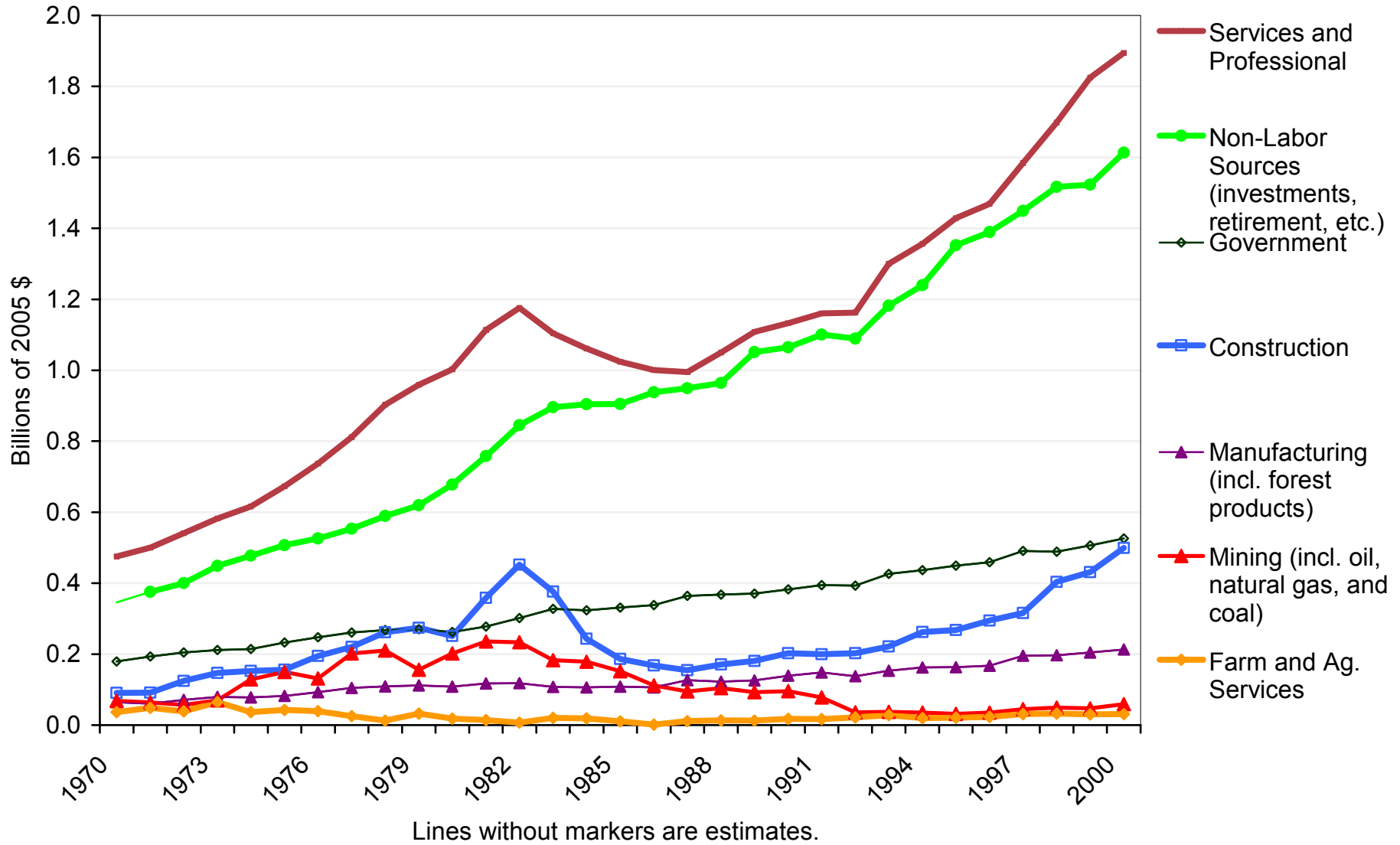
Rural West: Personal Income





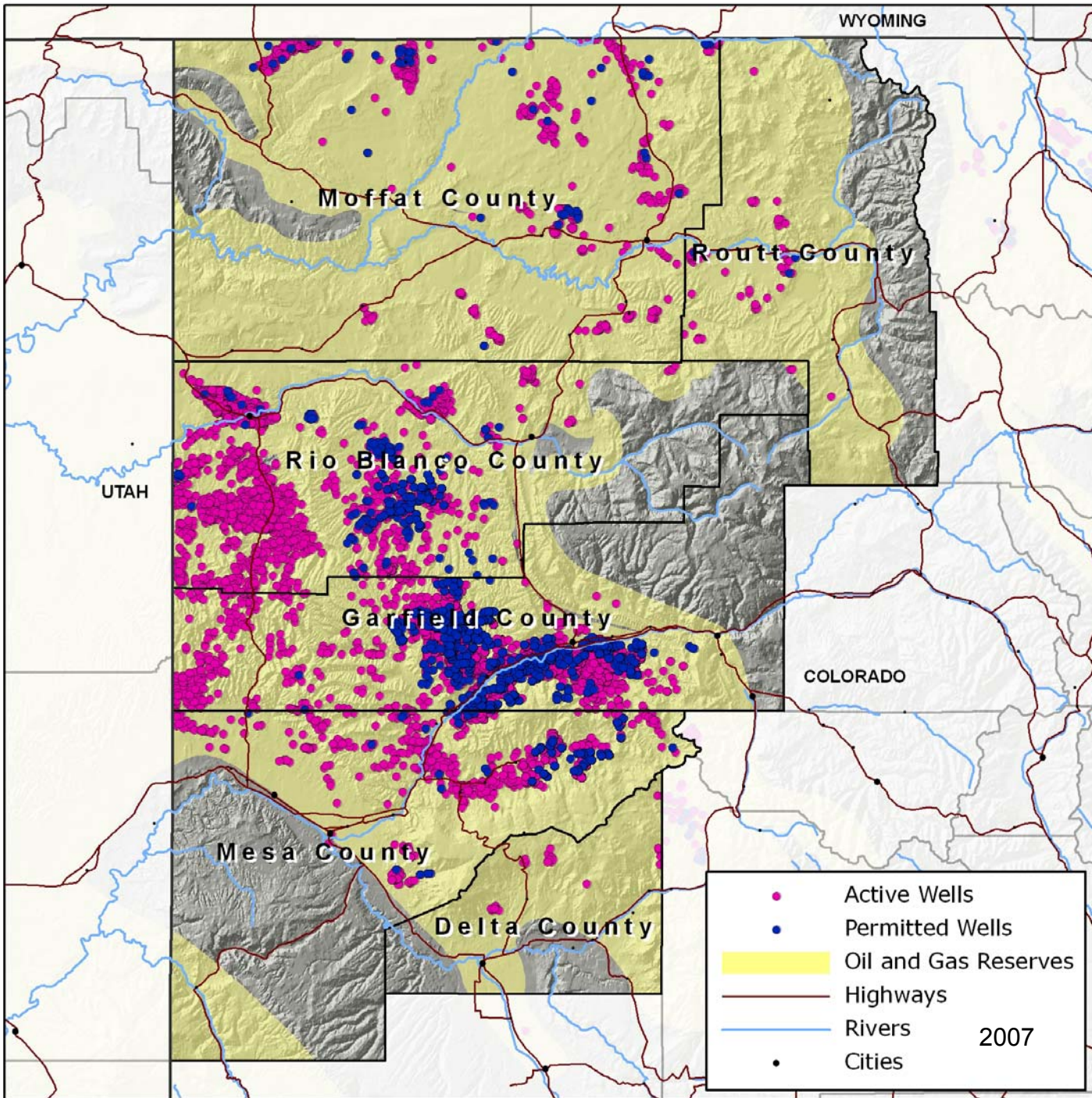
- Cities
- Highways
- Rivers
- Counties
- Forest Service
- National Park Service
- BLM
- Military
- State

Mesa and Garfield Counties, Personal Income, 1970 to 2000 (SIC)

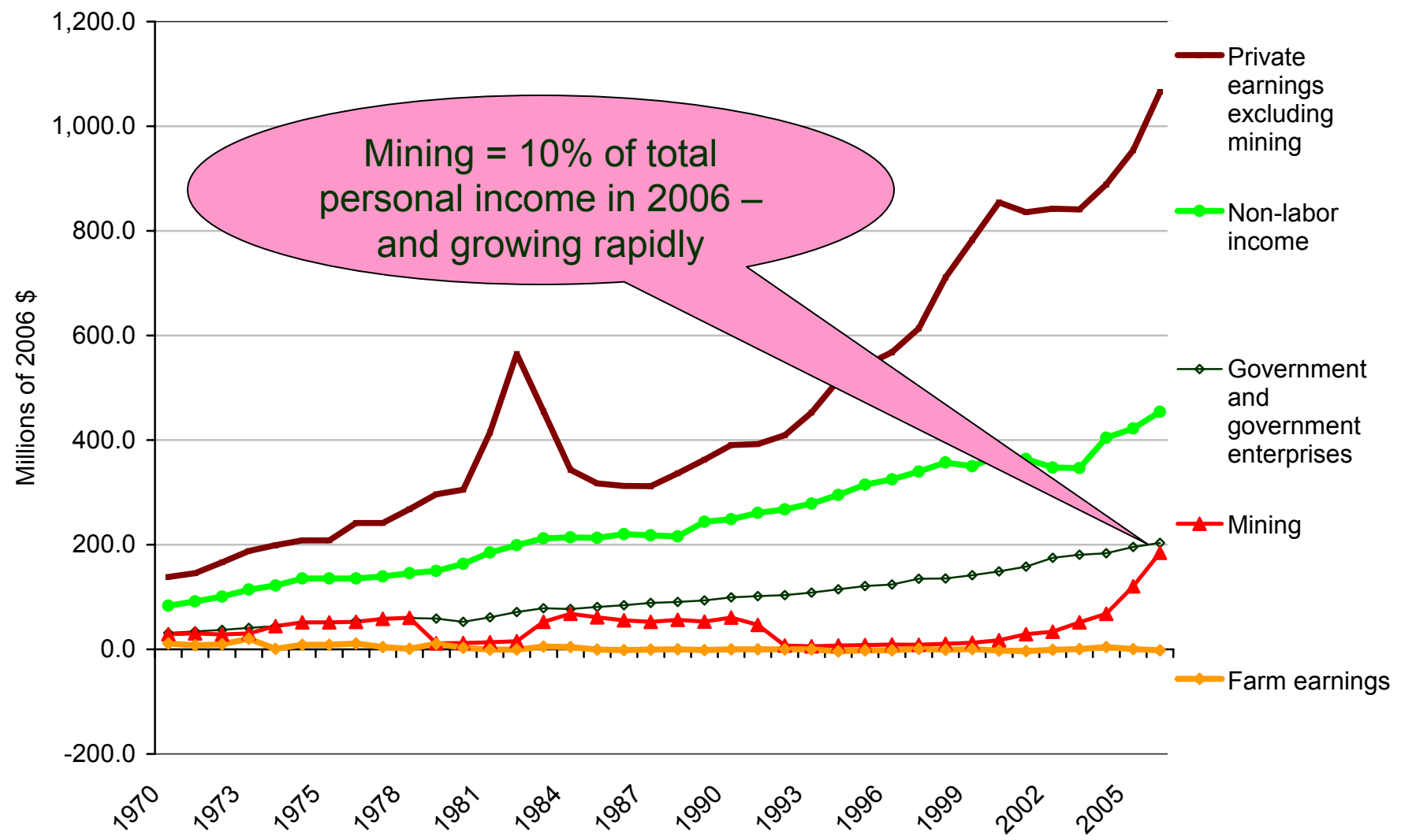


Changing Competitive Position of the West Slope

- Agriculture
- Affordable
- Retirement
- Amenities – natural and social
- Recreation
- Mix of services
- Energy



Garfield County, Colorado Components of Income, 1970 to 2006

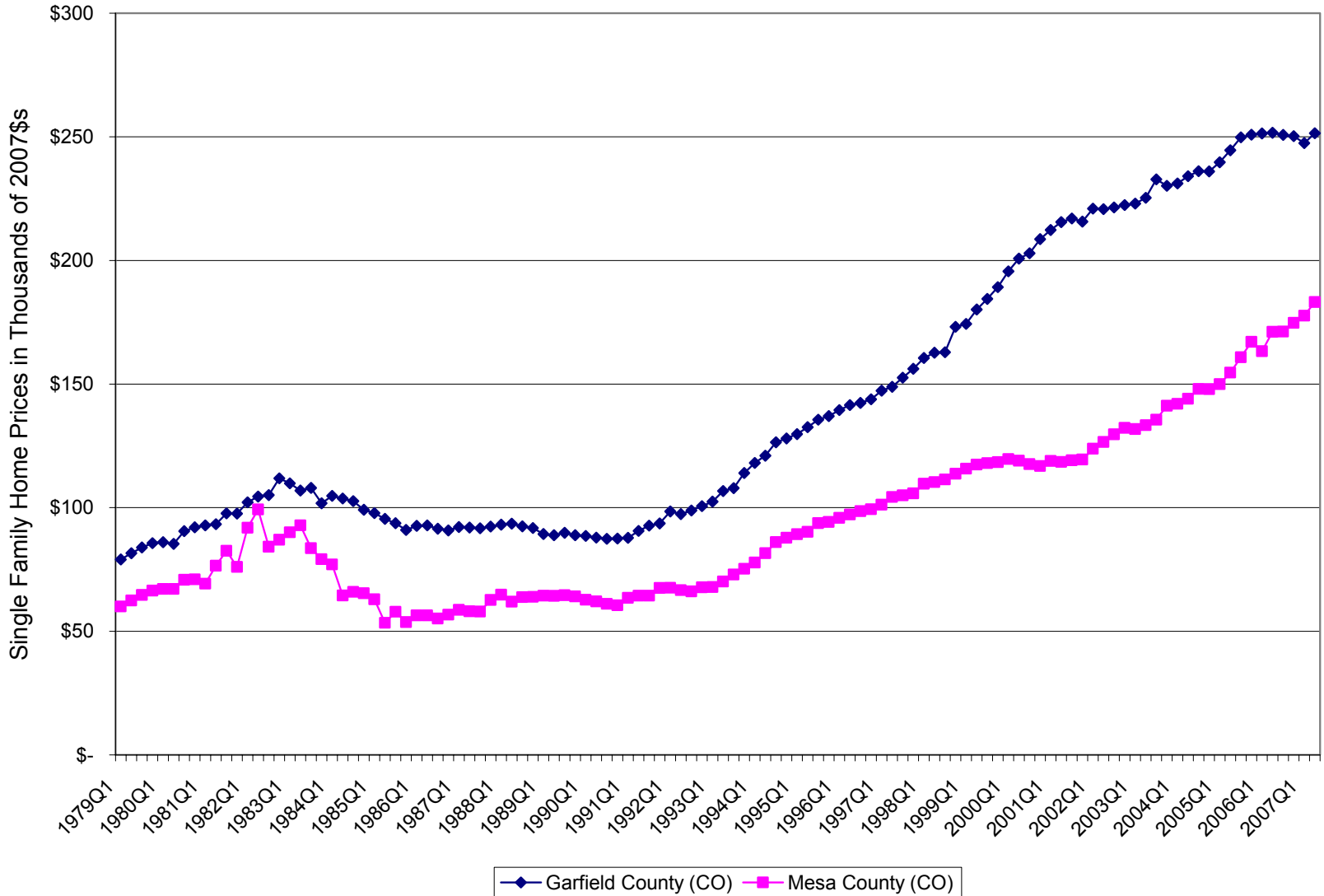


Friction Points to Keep an Eye On

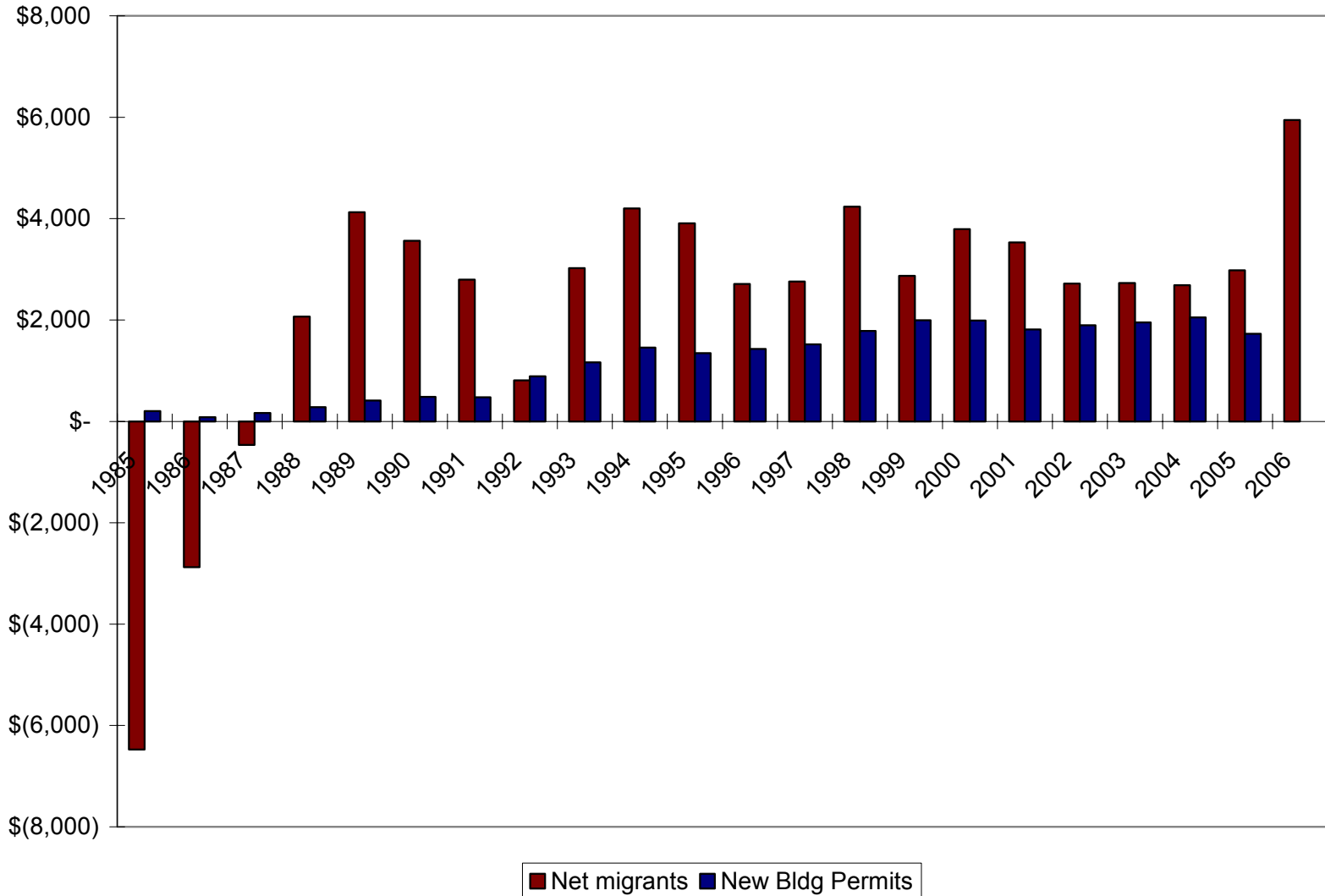
- Housing and cost of living
- Overheated economy
- Fiscal health and exposure

Housing and Cost of Living

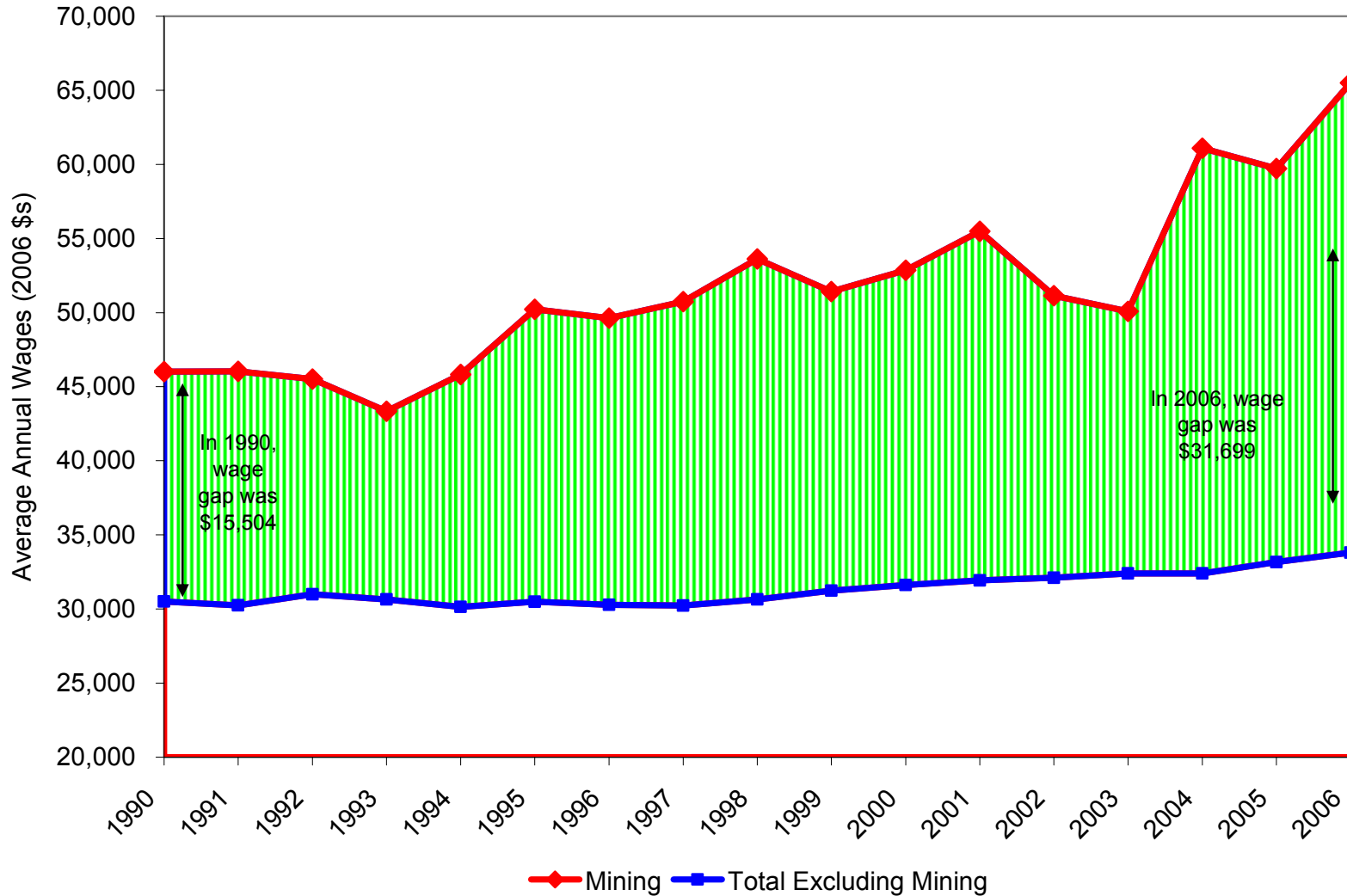
Median Home Prices, Mesa and Garfield counties, 1979–2007



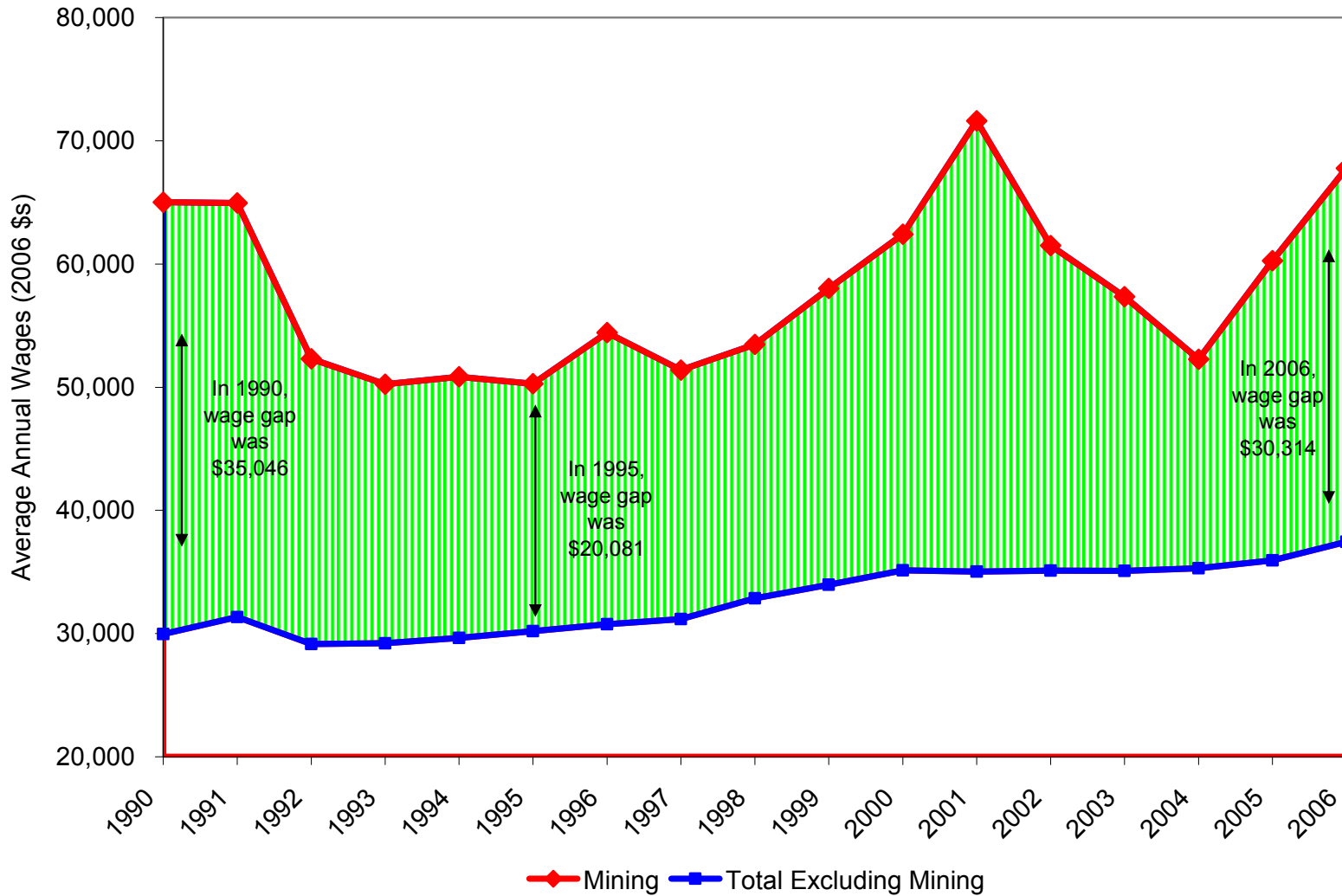
Net Migration and Permits for New Housing Mesa and Garfield counties, 1985-2006



Average Annual Wages in Mining Compared to the Rest of the Economy, Mesa County, 1990–2006

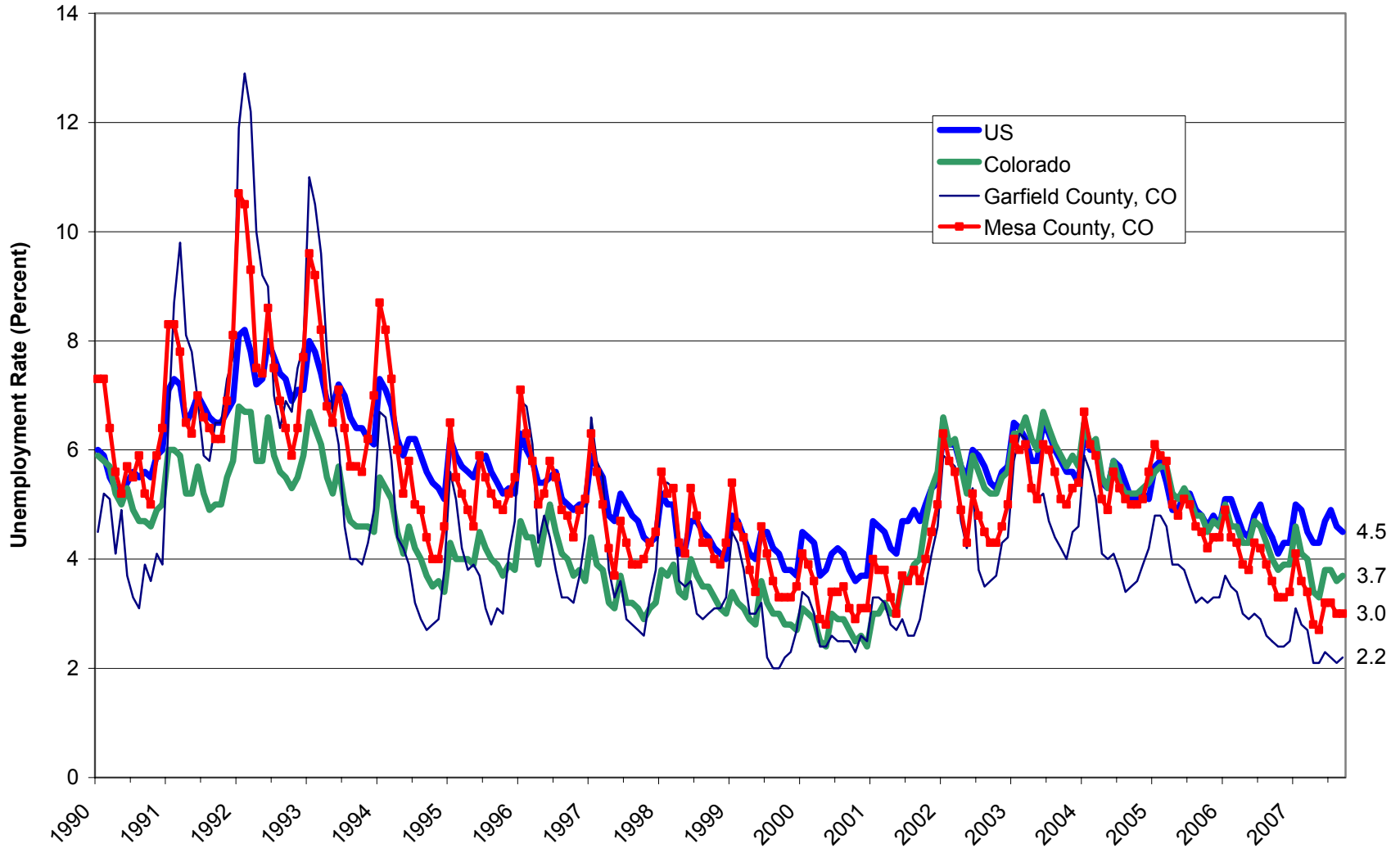


Average Annual Wages in Mining Compared to the Rest of the Economy, Garfield County, 1990–2006



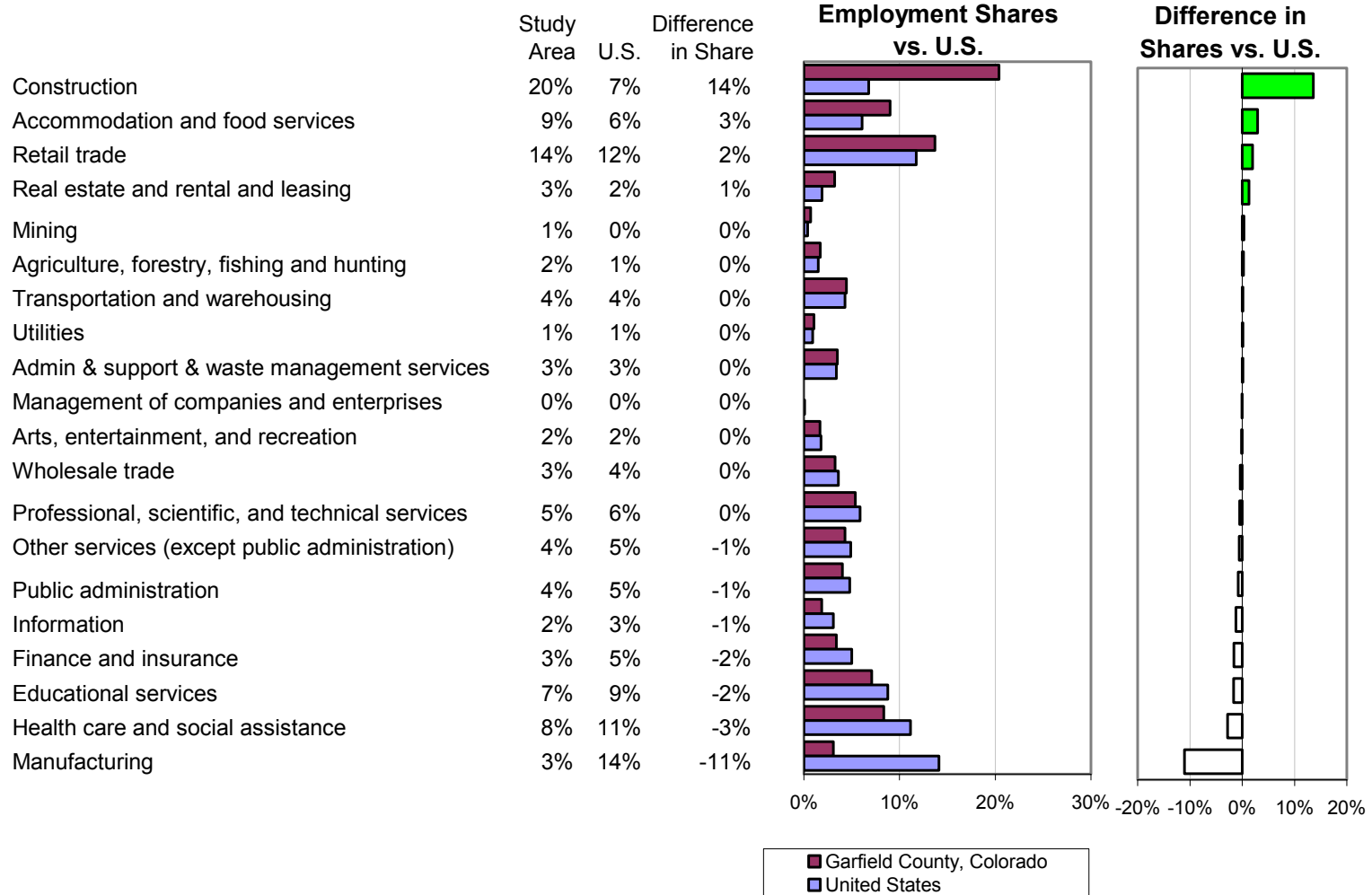
Overheated Economy

Unemployment Rates Through September 2007 (Not Seasonally Adjusted)

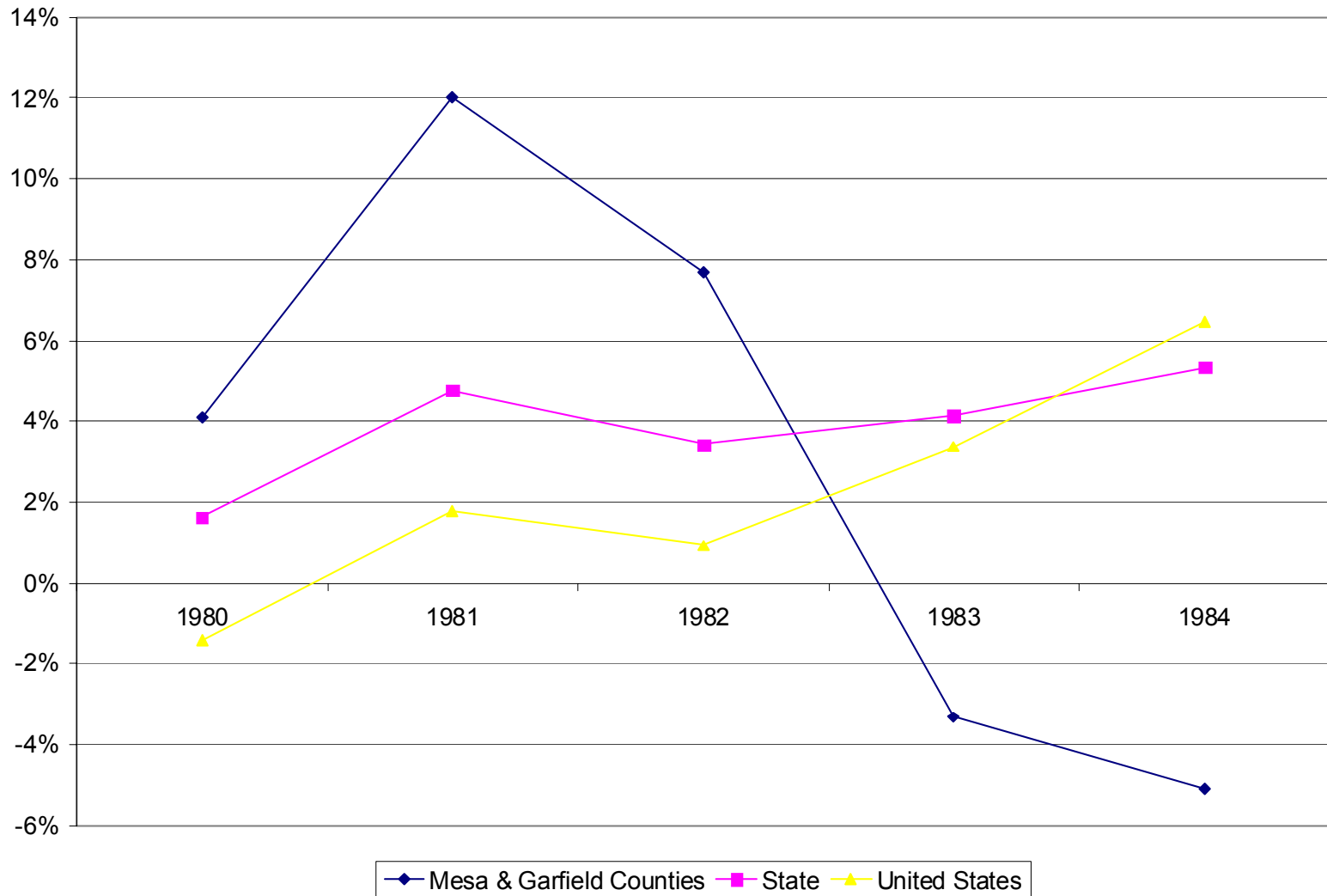


Industry Specialization, Garfield County

Sector Analysis (Sorted by Difference in Share)



Percent Change in Personal Income, year to year Mesa and Garfield Counties



Highly Volatile: Price

NYMEX Natural Gas Futures Close (Front Month)

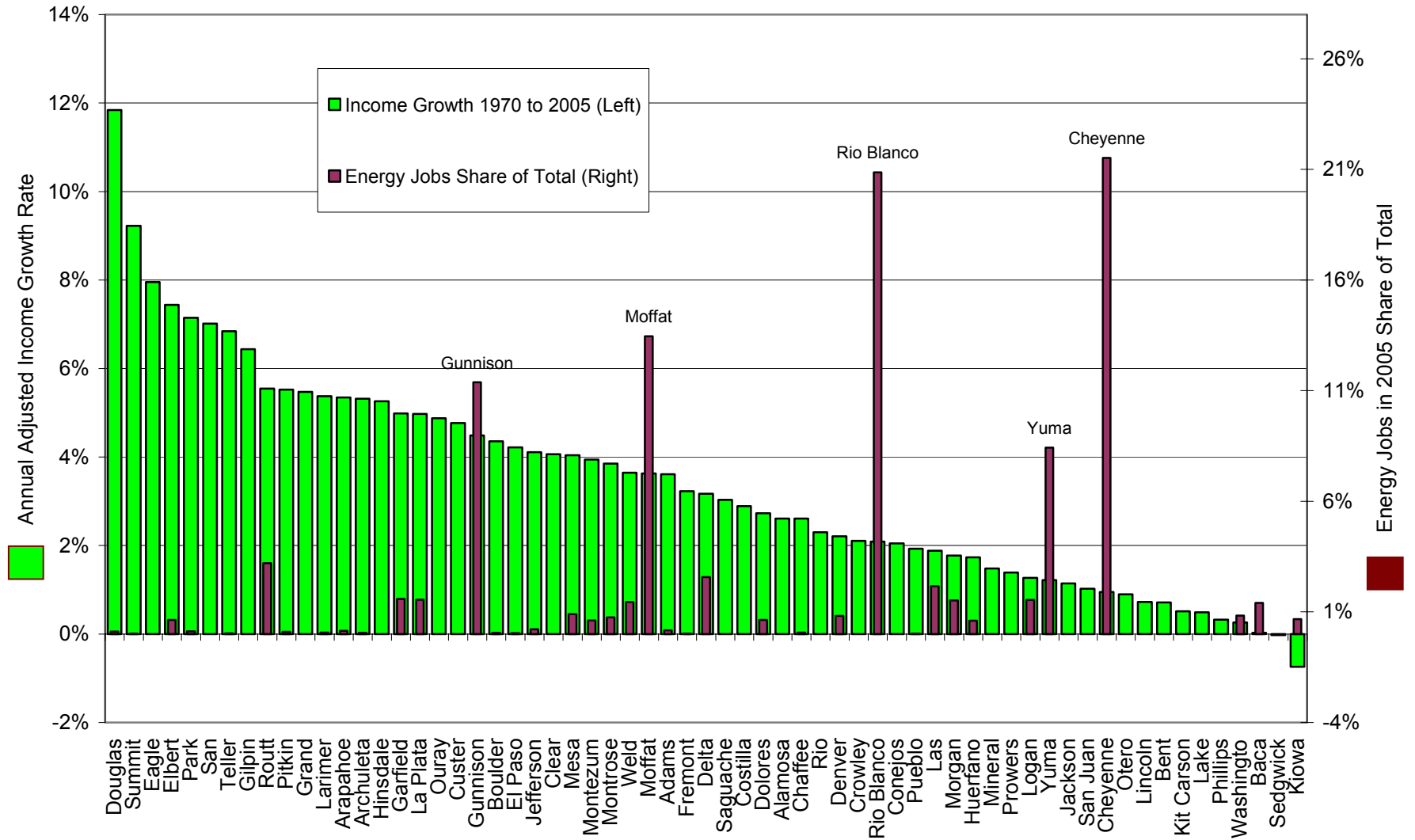


Oct. 1, 2007 - Oct. 21, 2008

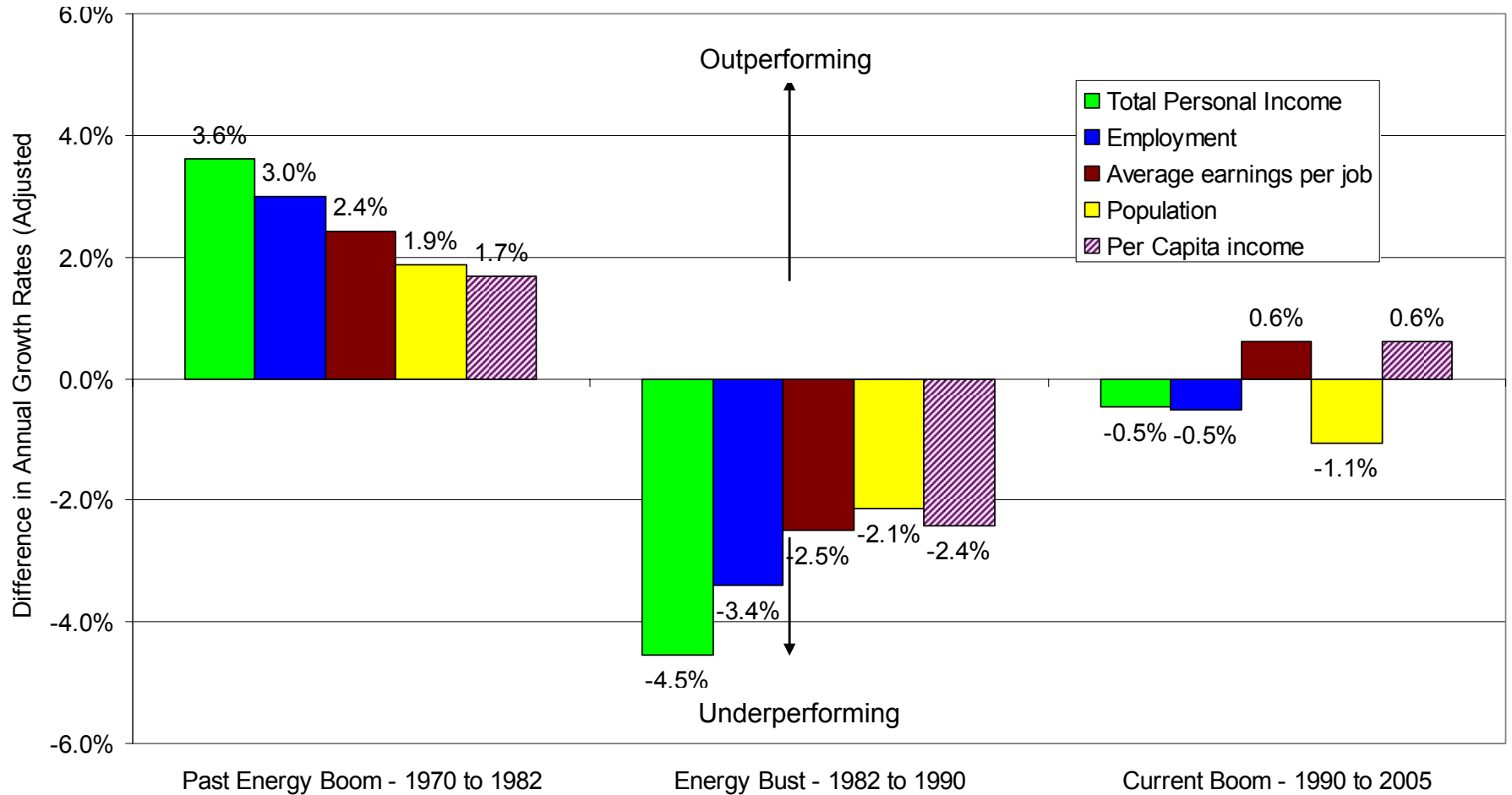
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— Close

Relationship between Energy Reliance and Personal Income Growth



Different Growth Rates Energy Focusing Minus Peers

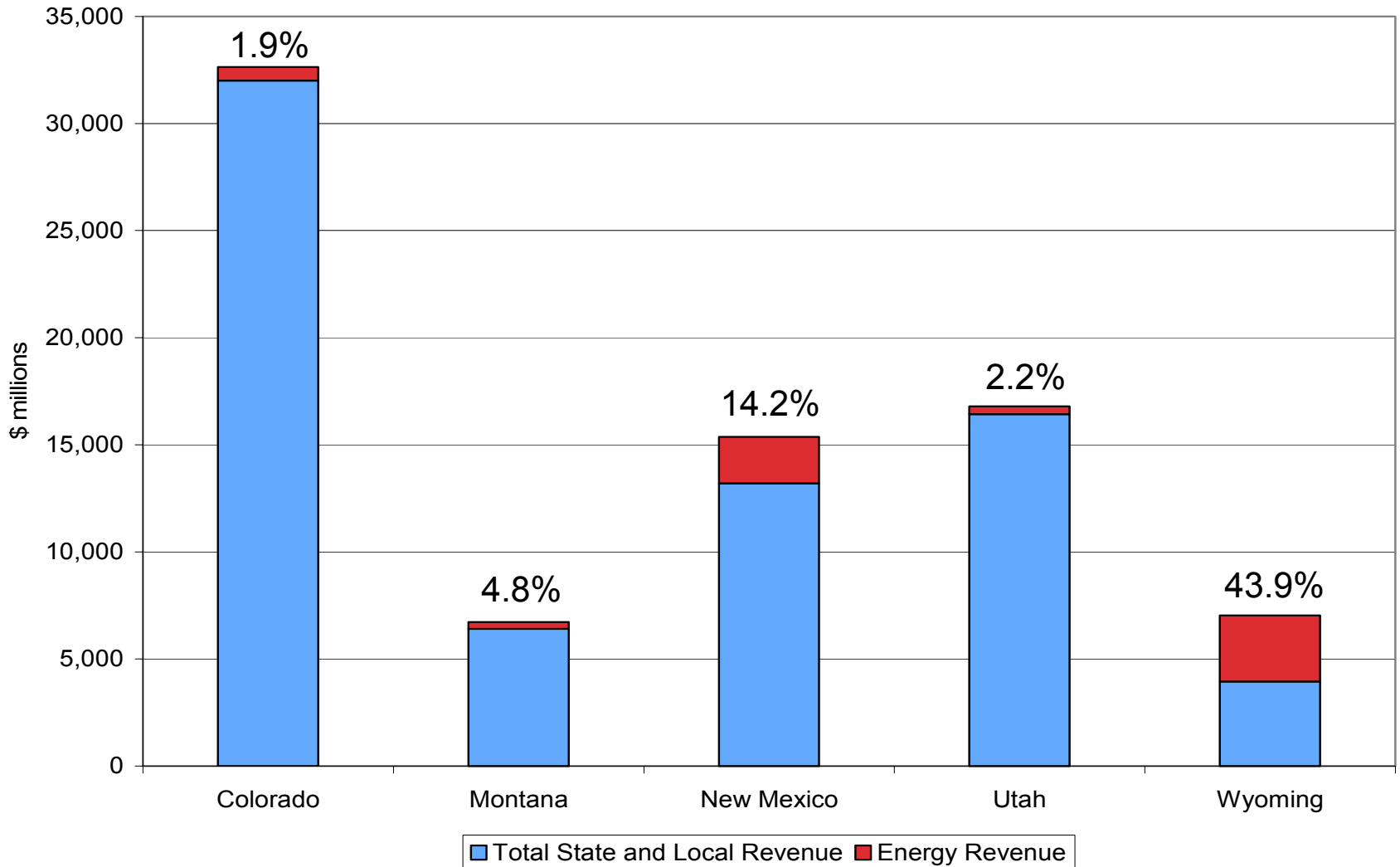


Key Principles

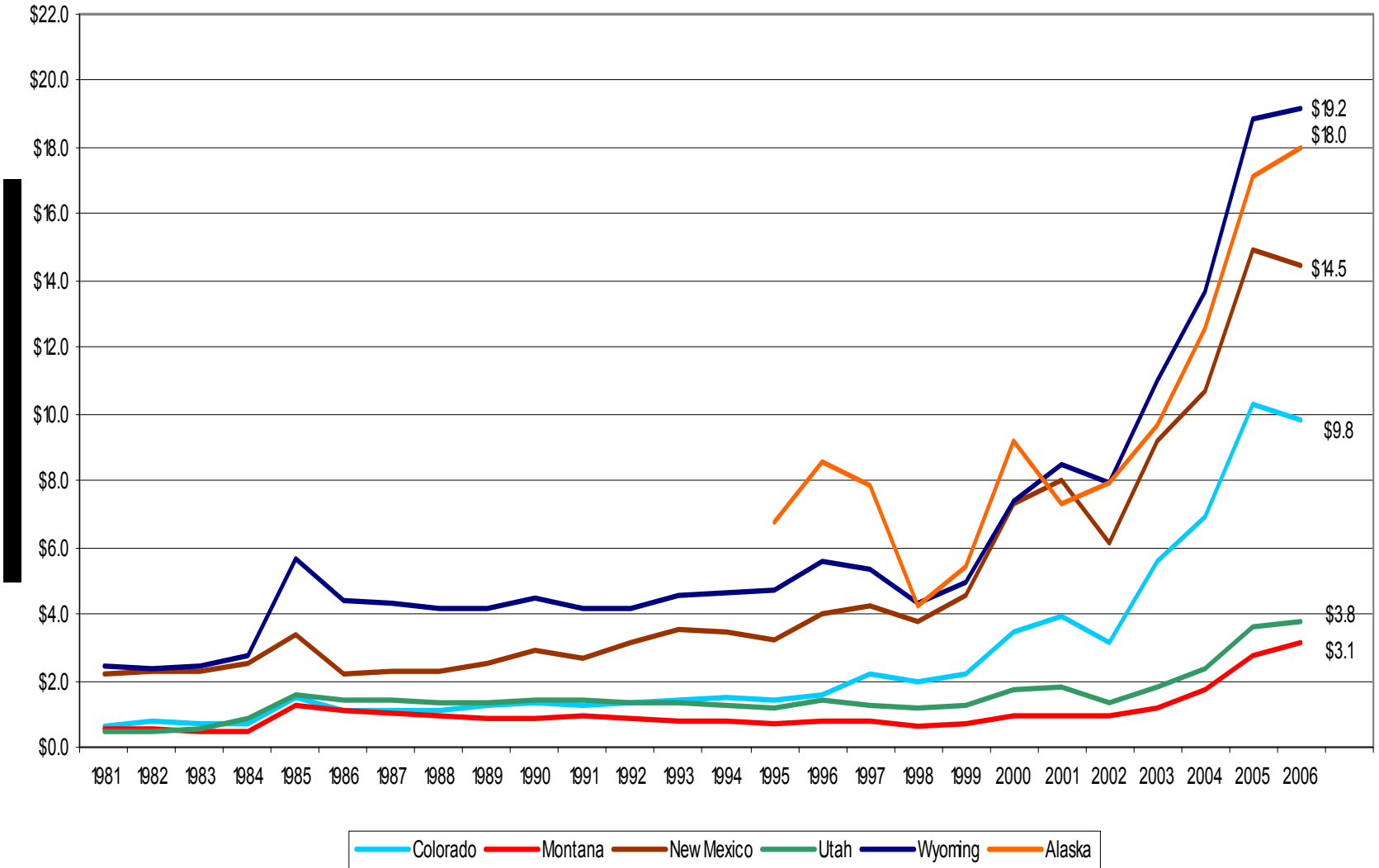
- Economic diversity and resilience
- Human capital and education
- Quality – in landscape and community
- Affordability – for everyone

Fiscal Health and Exposure

Oil and Natural Gas Taxation in Colorado

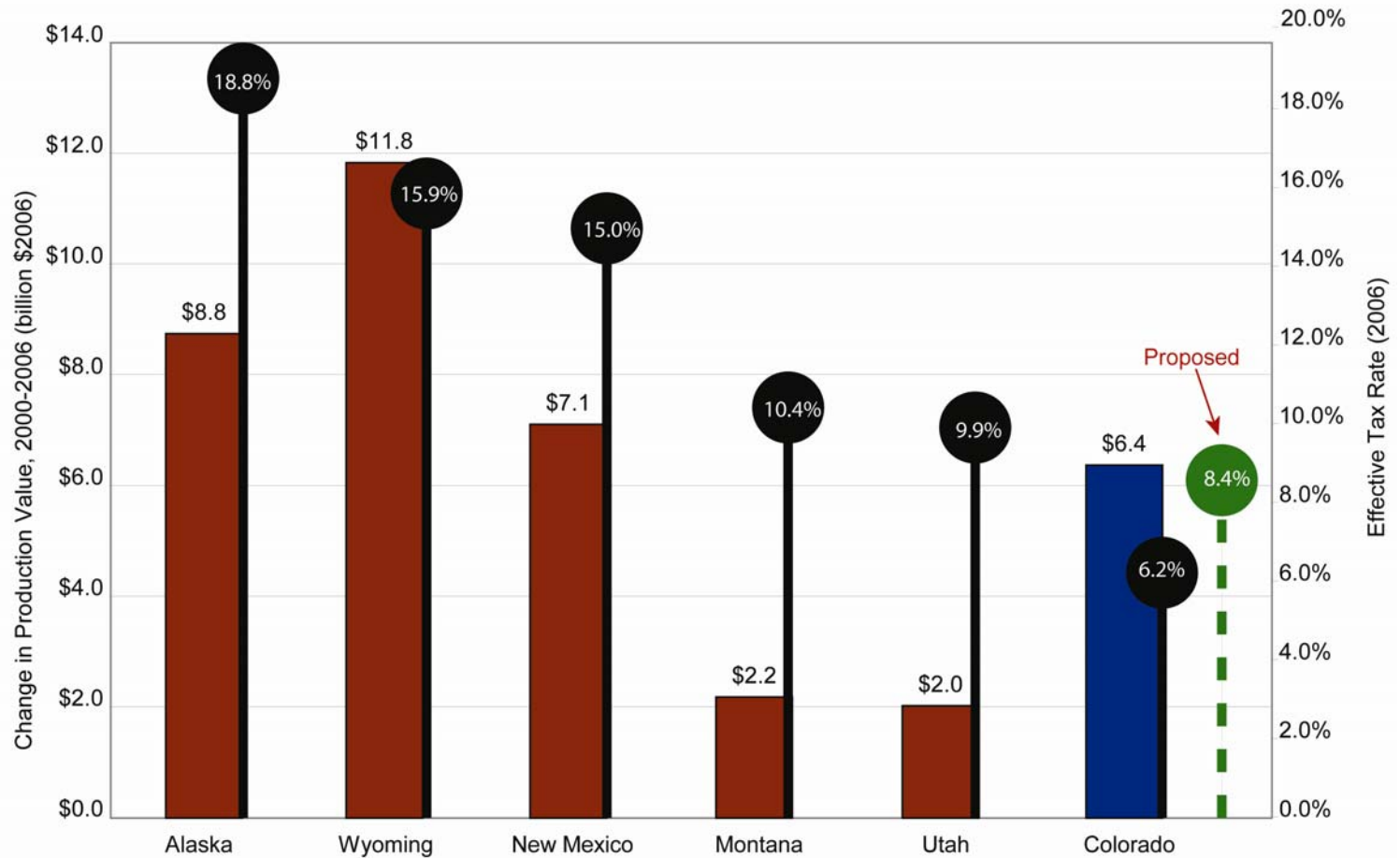


Source: U.S. Census of Governments, State Departments of Revenue, and U.S. Minerals Management Service



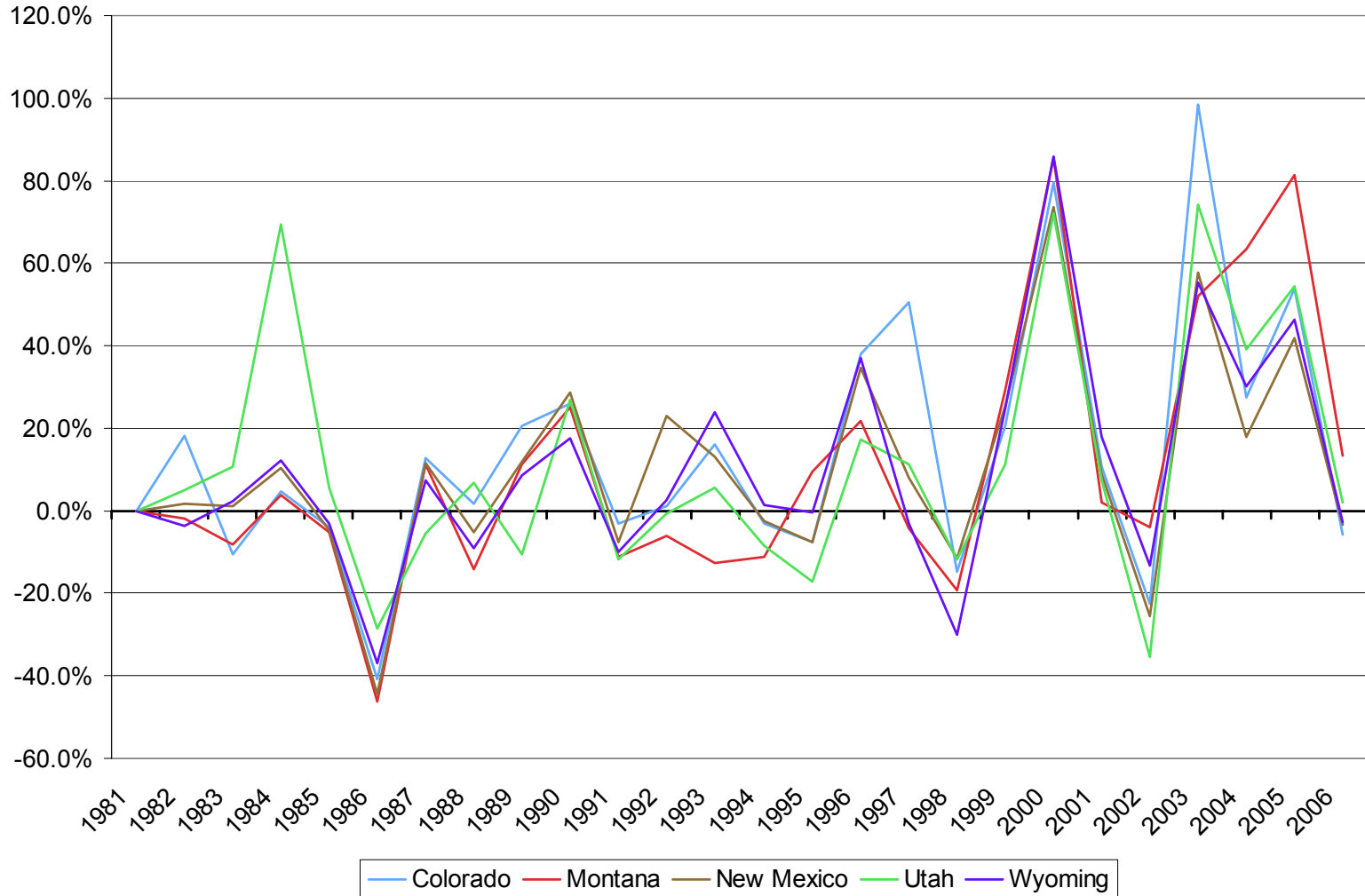
Source: Energy Information Administration

Effective Tax Rates Vary Dramatically

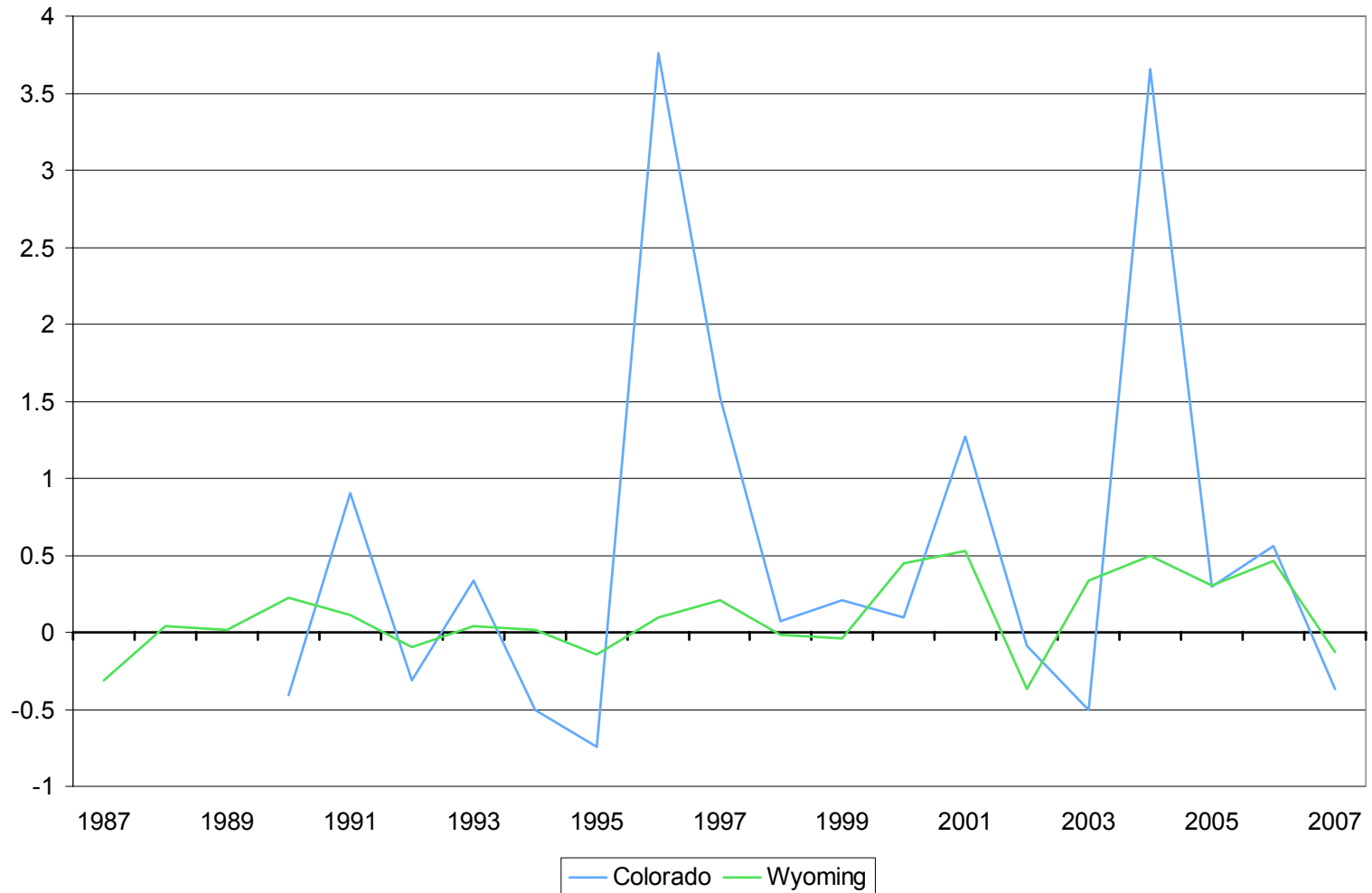


Includes revenue from production taxes, property taxes and mineral royalties. Source: State Departments of Revenue and Taxation, U.S. Minerals Management Service, and Energy Information Administration

Production Value is Highly Volatile.

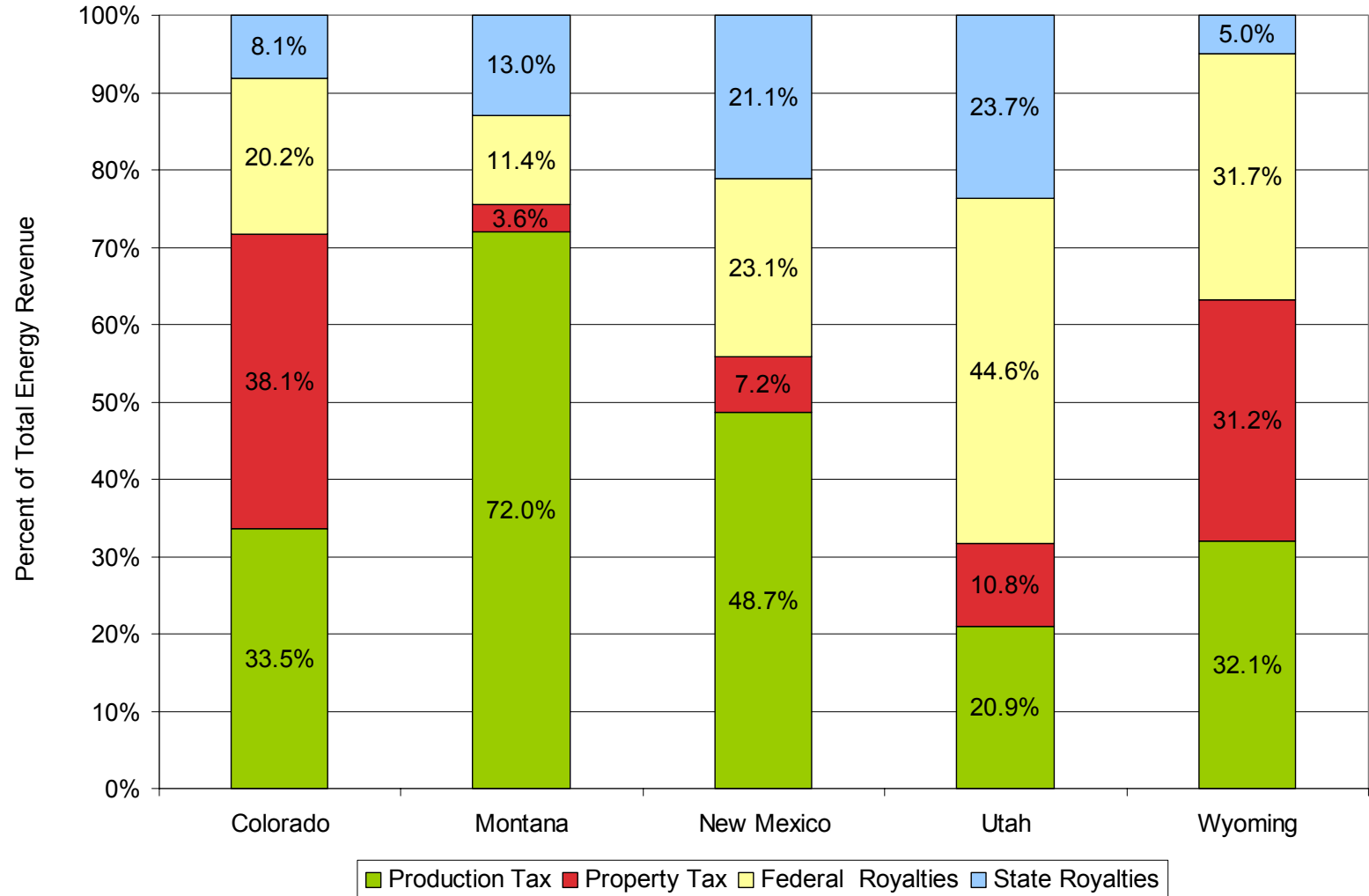


Tax Policy Exaggerates Revenue Volatility



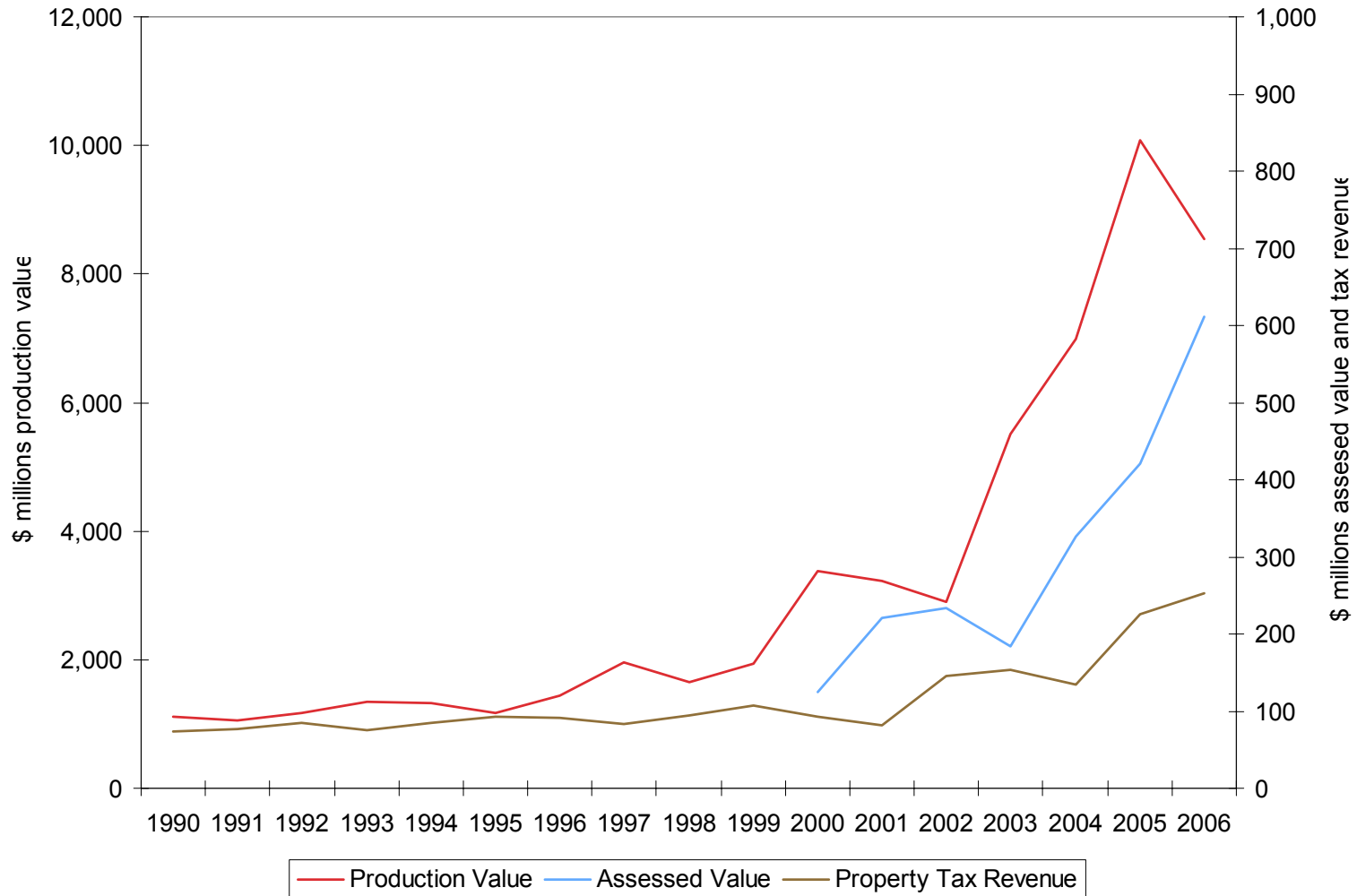
Colorado and Wyoming Department of Revenue.

Is Colorado Too Reliant on Property Taxes?

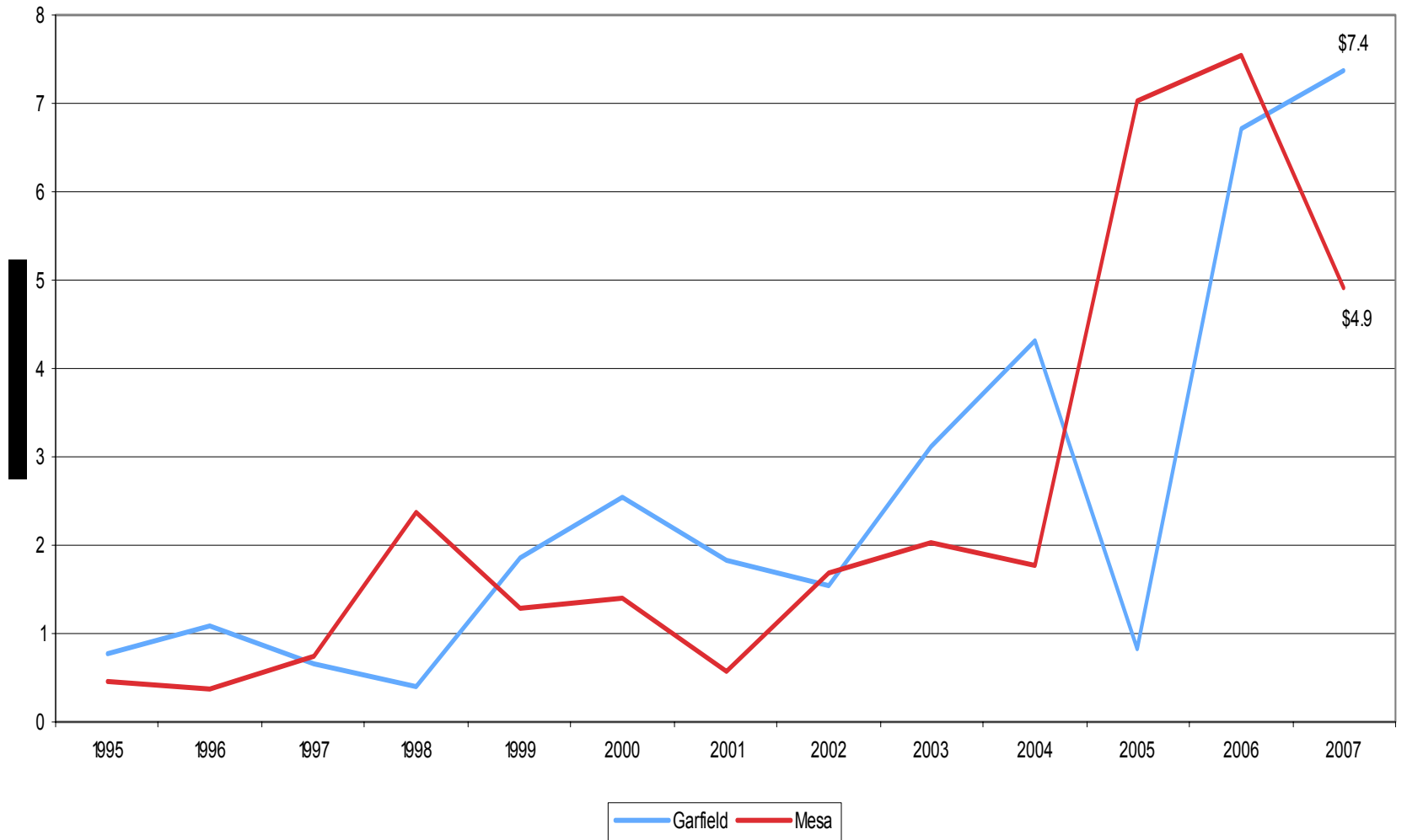


Colorado and Wyoming Department of Revenue.

Timing Issue With Property Taxes

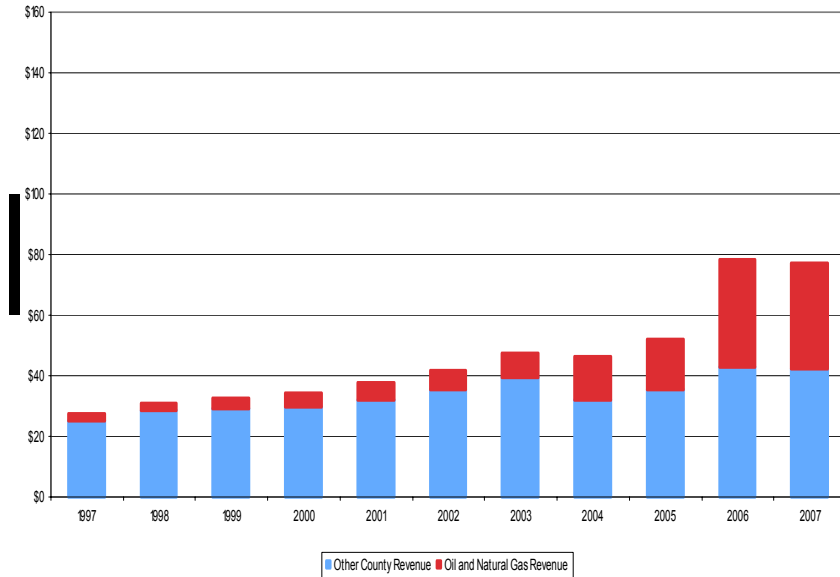


Uncertainty of DOLA Grants

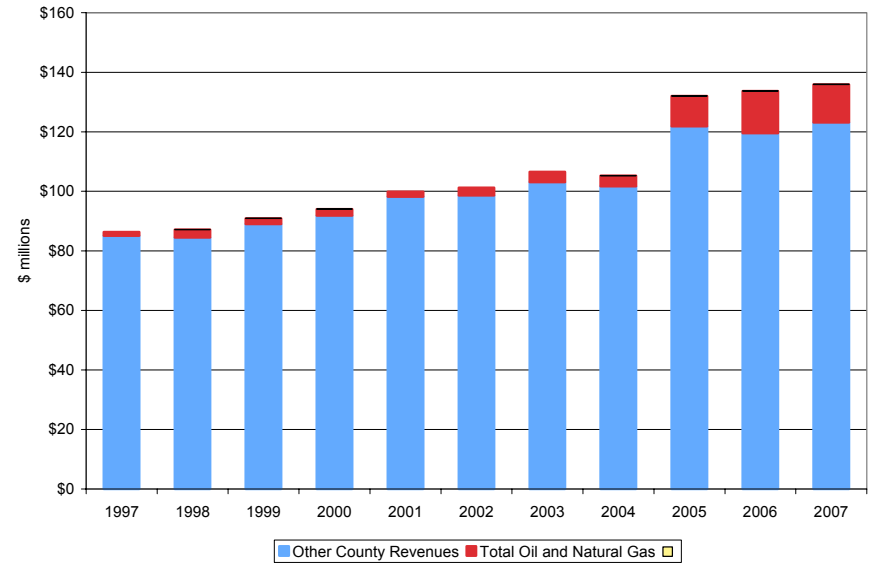


Oil and Natural Gas Proportion of Total Revenue

Garfield County



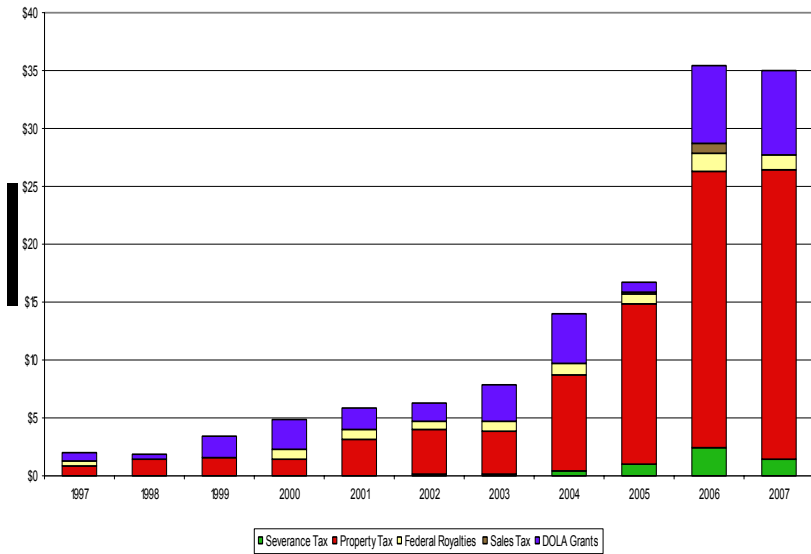
Mesa County



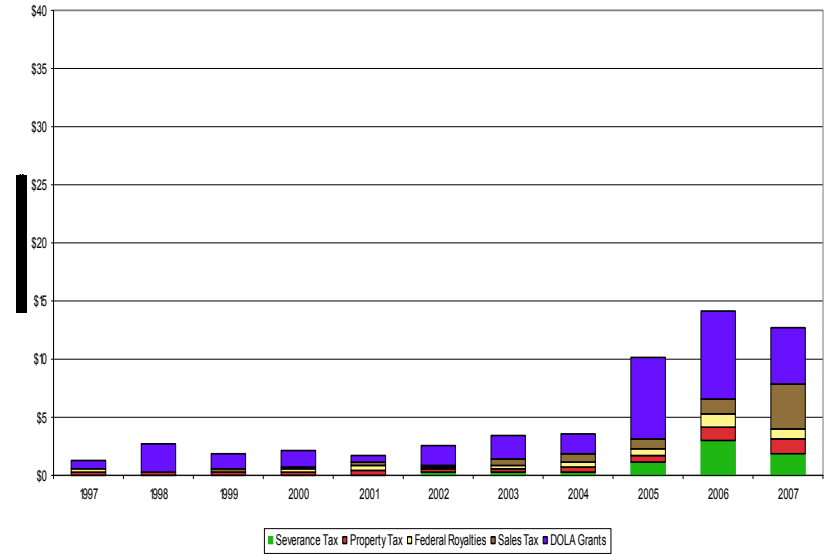
Includes revenue from production taxes, property taxes and mineral royalties. Source: State Departments of Revenue and Taxation, U.S. Minerals Management Service, and Energy Information Administration

Makeup of Oil and Natural Gas Revenue

Garfield County

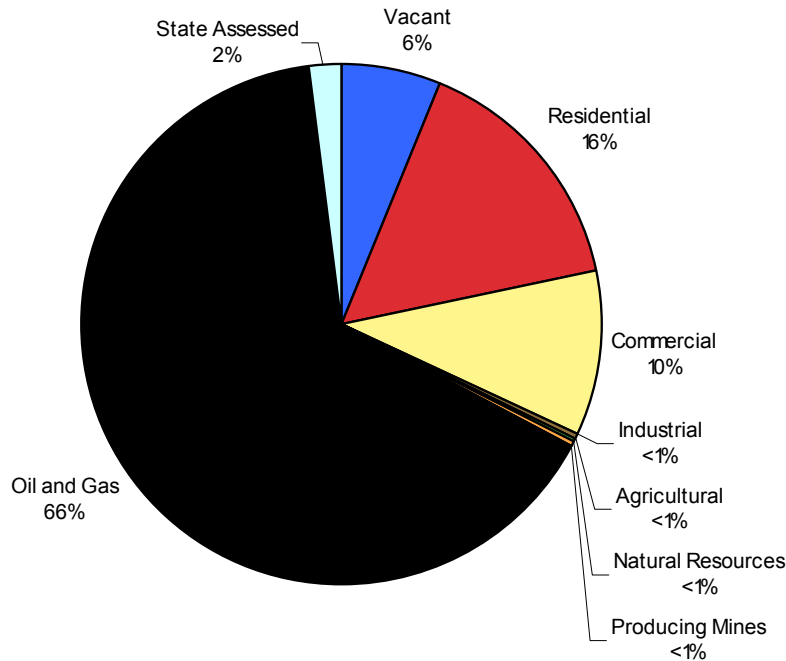


Mesa County

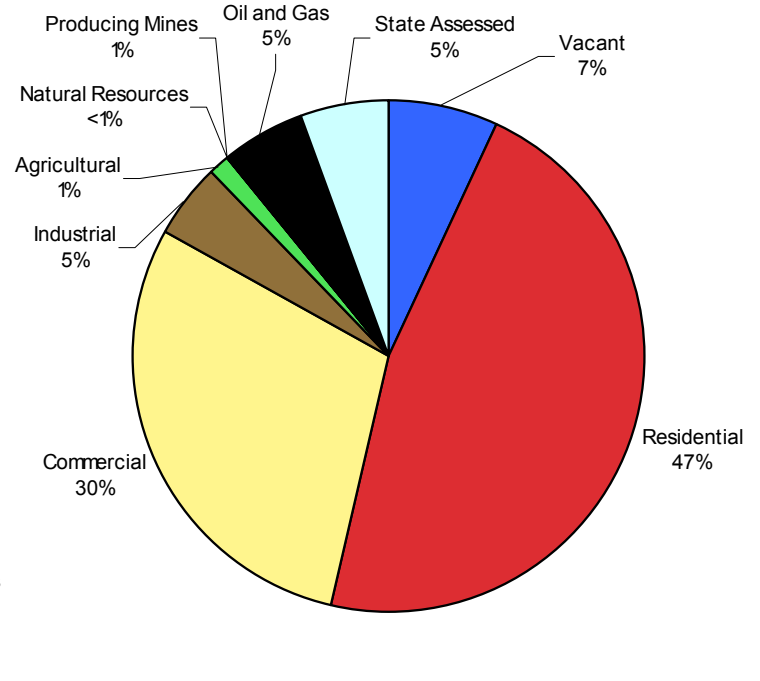


Assessed Value by Property Class

Garfield County

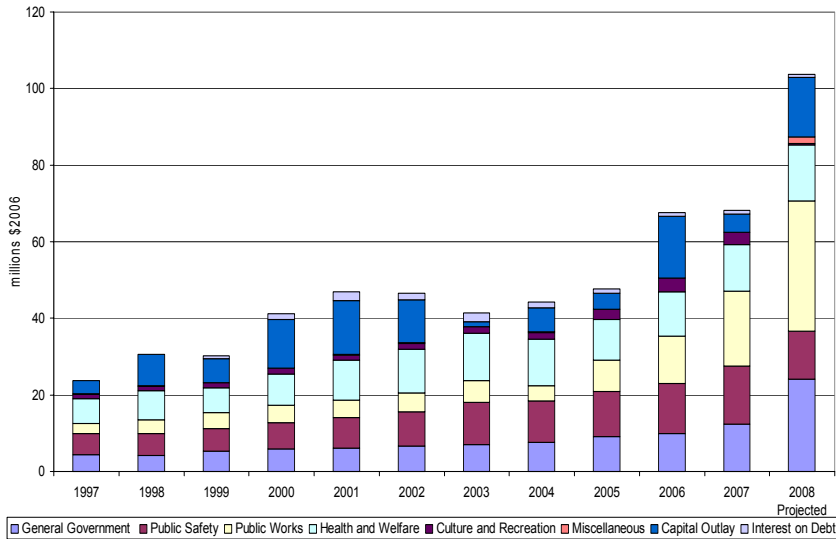


Mesa County

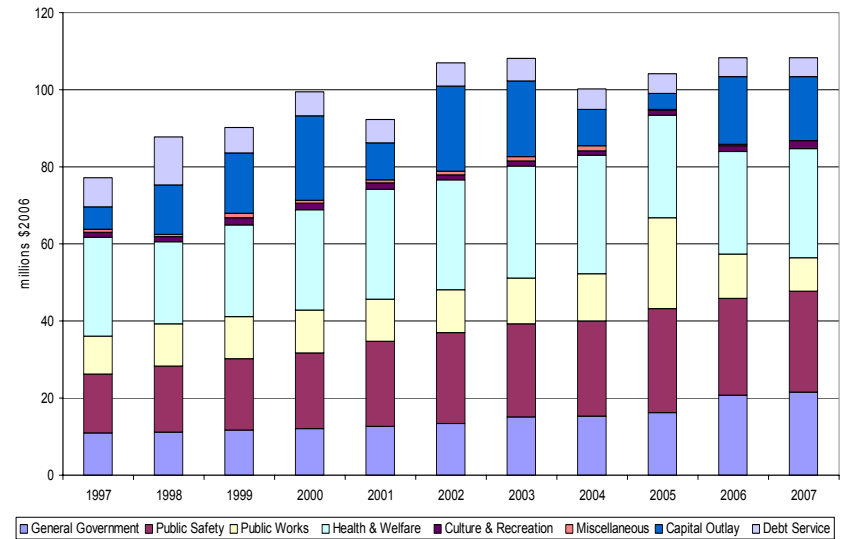


Will Garfield and Mesa Keep Pace? What About Net Benefits?

Garfield County



Mesa County



How

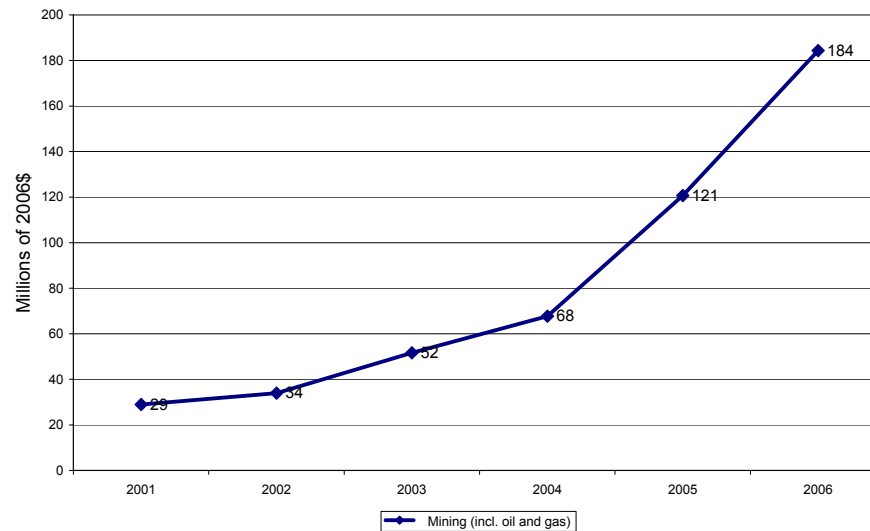


Taxes



Pace

Personal Income from Mining, Garfield County





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