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**1991 NEW MEXICO ECONOMIC IMPACT STUDY
FOR THE URANIUM MILL TAILINGS REMEDIAL ACTION PROJECT
AMBROSIA LAKE, NEW MEXICO, SITE**

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PREPARED BY

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SUMMARY OF FINDINGS

The 1991 New Mexico Economic Impact Study (NMEIS) analyzes the impact of the Uranium Mill Tailings Remedial Action (UMTRA) Project remedial actions at the inactive Ambrosia Lake, New Mexico, uranium processing site and its associated vicinity properties. The findings of the 1991 NMEIS are outlined below and in Tables 6 and 7. The mechanism used to derive these values is described in the "Approach" section, as are the descriptions of Tables 1 through 10. All dollars used in the 1991 NMEIS are in year-of-expenditure dollars.

The University of New Mexico Bureau of Business and Economic Research completed an abbreviated cost-benefit analysis of the income and employment impact of the U.S. Department of Energy (DOE) and contractor offices in Albuquerque. Since the Project Office will have a significant positive impact on the State's economy (shown on Table 8), the impact is combined with the impact of remedial actions at the Ambrosia Lake site to highlight the cost-benefit of the entire UMTRA Project.

- o The UMTRA Project at the Ambrosia Lake site will generate \$12.509 million in gross labor income in New Mexico between 1989 and 1994. This includes \$1.161 million in federal tax revenue, \$1.015 million in State personal income tax revenue, and seven thousand in local tax revenue.
- o The UMTRA Project will generate the equivalent of 84 full-time jobs during the peak year of remedial action at Ambrosia Lake site.
- o New Mexico's total funding requirement for the UMTRA Project is estimated to be \$2.963 million.
- o The net economic benefit of the Ambrosia Lake portion of the UMTRA Project to New Mexico after the State's share of the project's cost, the federal income tax, and the \$0.936 million income impact of the alternate use of the State funding are subtracted, will be \$7.451 million between 1990 and 1994.
- o For every dollar the State of New Mexico invests in the Ambrosia Lake UMTRA Project, it will realize \$3.83 in gross labor income (i.e., gross labor income divided by the State's total funding requirement). This corresponds to a net return on the State's investment in the project of \$2.51 for every dollar invested (i.e., gross labor income less federal individual income taxes, the State's total funding requirement, and the income impact of the alternate use of the State funding divided by the State's total funding requirement).
- o In Fiscal Year 1990 the UMTRA Project DOE and contractor offices in Albuquerque directly employed 163 people. Another 78 jobs were also maintained in support of the industry sector and 166 jobs were also maintained in other sections of the New Mexico economy. It is estimated that \$19 million dollars of income was generated and 1.949 million of State and local taxes were collected as a result of the UMTRA Project.
- o The University of New Mexico study shows that for every dollar the State of New Mexico invests in the UMTRA Project, it will realize \$95.05 in gross labor income. This corresponds to a net return on the States investment in the Project of \$97.20 for every dollar invested. (See "Approach" section for assumptions.)

INTRODUCTION

Public Law 95-604, the Uranium Mill Tailings Radiation Control Act of 1978 (UMTRCA), requires the federal government to perform remedial actions at the inactive uranium processing site at Ambrosia Lake, New Mexico, and its associated vicinity properties. (Vicinity properties are those areas, located near the processing sites, that have been identified as having elevated radiation levels due to the presence of residual radioactive materials from the designated sites.) The purpose of the remedial actions is to clean up and stabilize the residual radioactive materials, which resulted from the processing of uranium ore, at both the processing sites and the vicinity properties. The UMTRCA delegates the responsibility for conducting these remedial actions to the U.S. Department of Energy (DOE). The UMTRCA requires the State of New Mexico to provide ten percent of engineering and remedial action costs as outlined in the cooperative agreement between the DOE and the State.

The DOE established the Uranium Mill Tailings Remedial Action (UMTRA) Project Office to manage the cleanup. Table 1 shows the remedial action schedule for the Ambrosia Lake site and the associated vicinity properties. The UMTRA Project Office directed the UMTRA Project's Technical Support Contractor (TSC) to study the impact of the UMTRA Project on the economy of New Mexico. To that end, the TSC performed this cost-benefit analysis of the UMTRA Project in New Mexico, called the 1991 New Mexico Economic Impact Study (NMEIS).

To assist the DOE in performing the UMTRA Project, the following roles have been established:

- o Remedial Action Contractor (RAC) - MK-Ferguson Company (MK-F) is responsible for the engineering and remedial action activities at the Ambrosia Lake site and associated vicinity properties. MK-F was instrumental in preparing the labor expenditures and direct employment figures used in this study. The data provided were based on the following assumptions:
 - 1. The site remediation costs were derived using the latest MK-F cost estimates.
 - 2. The vicinity property remediation labor hours were derived using average work hours from actual Rifle, Colorado, vicinity properties. The labor expenditures were calculated at 50 percent of the total remediation costs.

Although MK-F subcontracts a portion of the engineering work to New Mexico firms, the economic impact of the Ambrosia Lake engineering work is insignificant and is not addressed in the analysis.

MK-F will utilize predominantly New Mexico subcontractors during the remediation phase of the project, thereby creating the most significant impact on the New Mexico economy.

- o Inclusion Survey Contractor (ISC) - Oak Ridge National Laboratory, based in Grand Junction, Colorado, is responsible for identifying those vicinity properties that may be eligible for remedial action under the UMTRA Project. The cost of surveying vicinity properties at this stage is not shared with

the State of New Mexico. Since the ISC is based in Colorado, neither the employment nor labor expenditures impact New Mexico.

- o Technical Support Contractor (TSC) - Under a joint contract, Jacobs Engineering Group Inc., Roy F. Weston Inc., Sergeant, Hauskins & Beckwith Inc., and Geraghty & Miller, Inc., assist the DOE in the technical development, planning, and monitoring of the UMTRA Project. The TSC is based in Albuquerque, New Mexico, and a majority of the labor expenditures occur within New Mexico. Although the TSC uses local New Mexico contractors for some activities, for the purpose of this study it is assumed that TSC's Ambrosia Lake work does not have an economic impact on New Mexico. The funding for the work performed by the TSC is 100 percent federally funded; no State funds are contributed for the TSC.

The UMTRA Project Office, the RAC, and the TSC are all based in Albuquerque, New Mexico. The majority of the personnel based in Albuquerque support the UMTRA remedial actions outside of New Mexico; however, the income generated by these workers has a significant impact on New Mexico's economy. These impacts are addressed in this analysis.

OVERVIEW

This 1991 NMEIS analyzes UMTRA Project impacts in terms of employment, income, and tax revenues. These are the most meaningful measures of economic impact and have been used in studies for other States that are participating in the UMTRA Project. First, the State's contribution to the Project is estimated; this is interpreted as the State's funding requirement. Second, the economic benefits to New Mexico are calculated; these are considered to be gross labor income generated from the Project. Finally, the State's contribution is compared to the economic benefit of New Mexico. This yields the Project's cost to benefit analysis for New Mexico.

The economic impacts on employment and income for the Ambrosia Lake, New Mexico, site are estimated using a model based on the Regional Input-Output Modeling System (RIMS II) from the U.S. Department of Commerce, Bureau of Economic Analysis (see "Approach" section). The economic impact is defined as the increase in gross labor income and employment. For income, the increase is composed of both the direct income associated with the UMTRA Project and the indirect income resulting from UMTRA Project activities (see "Approach" section for a more detailed explanation). Data provided by the UMTRA Project contractors are analyzed to estimate the direct labor income paid to employees and the number of full-time equivalent employees employed for all activities of the UMTRA Project occurring in New Mexico. The modified RIMS II system is then used to analyze the data and estimate the impacts to the New Mexico economy.

The State's funding obligation is evaluated as an investment opportunity. The funding obligation is calculated by taking ten percent of the shared costs from the latest cost plans available from the UMTRA Project remedial action contractors. (The cost plans used in this NMEIS were provided by MK-F and are dated April 11, 1991.)

The final analysis in the 1991 NMEIS derives the return on the State of New Mexico's investment in terms of economic benefits arising from UMTRA Project activities. This analysis looks at two aspects of the UMTRA Project. First, the cost-benefit of the life of the Ambrosia Lake activities is determined. Second, the combined 1991 cost-benefit of the Ambrosia Lake activities, the DOE, and contractor project offices is calculated.

Remedial action activities at the Shiprock, New Mexico site and its associated vicinity properties were performed from October 1984 to September 1986. Although this work was performed on Navajo land, using primarily Navajo subcontractors, some economic benefits were realized by the State of New Mexico; however, these benefits are not included in this analysis.

APPROACH

This section is provided as an in-depth outline of the mechanism used to calculate the impact of the UMTRA Project on the New Mexico economy. The source of the data, the Integrated Project Management Schedule, was prepared by the TSC with input from the RAC.

- o Schedule estimates from the RAC were collected. These schedule estimates are reflected in Table 1.
- o Detailed data were collected from the contractors for direct employment and the gross labor income for all activities associated with the UMTRA Project at Ambrosia Lake, New Mexico. Direct employment values are provided in full-time equivalents (FTEs), each of which represents one full-time laborer. Due to the climatic restrictions of the Ambrosia Lake area, the construction working season for Ambrosia Lake is limited to a maximum of 10 months per year. Therefore, one FTE represents a minimum of 1.2 persons actually employed. The gross labor income data include labor income and employment estimates to finish the work at the sites. All dollar values appear as year-of-expenditure dollars.
- o Multipliers derived from the RIMS II, U.S. Department of Commerce, Bureau of Economic Analysis, were used to calculate labor expenditures and employment impacts for the Ambrosia Lake processing site and vicinity properties.

Gross labor income impact has three components: direct labor income, indirect labor income, and induced labor income. Direct labor income includes wage payments to the employees of the project. Indirect labor income is generated by Project-related expenditures for material, equipment, and supplies within New Mexico. Finally, induced labor income results from employment created by the re-spending of direct and indirect labor income within New Mexico. Employment also has three components (direct, indirect, and induced) that correspond to the jobs associated with the labor income components described previously.

- o The Ambrosia Lake community is considered to be too remote and sparsely populated for all direct employment to be filled locally. Therefore, it was assumed that the majority of the labor will be drawn from the Grants, New Mexico area. Subsequently, the majority of the benefits from the project will affect the Grants area.

The gross labor income impact of the project on New Mexico is outlined in Table 2. The employment impact on New Mexico is outlined in Table 3.

- o The increase in federal tax revenues attributable to project-related increases in labor income and taxable expenditures was estimated. The direct federal income tax multipliers were obtained from the Tax Research and Statistics Office, Taxation and Revenue Department. The tax revenue for direct employment was based on the rate for an adjusted gross income of \$25,000 to \$50,000. This is based on the average income of those associated with the Ambrosia Lake remedial actions. The tax revenue for indirect induced employment was based on the rate for an adjusted gross income of \$15,000 to \$25,000. This is the estimated income range of the service and

support personnel whose services are utilized by project workers. All tax revenues are in year-of-expenditure dollars. The estimated federal tax revenues are presented in Table 4.

- o The increase in State and local taxes attributable to project-related labor expenditures was also estimated. Multipliers obtained from the State of New Mexico Tax Research and Statistics Office of the Taxation and Revenue Department (Ref. 3) were used to estimate combined direct, indirect, and induced taxes. These tax revenues are based solely on the labor expenditures and employment figures and do not consider the corporate, fuel, construction purchase, or other non-labor taxes. These estimated State and local tax revenues are presented in Table 4.
- o The State of New Mexico's funding requirement for the UMTRA Project was calculated based on the DOE's cooperative agreement with the State and on the estimated costs for remedial action, site acquisition, and engineering. The shared cost was based on data provided by contractors on actual costs through federal Fiscal Year 1990 and the latest cost plans developed by UMTRA Project contractors. The State's funding requirement is shown on in Table 5.
- o The State's funding requirement was considered to be the State's cost for the UMTRA Project. However, there is an additional cost to New Mexico in the lost benefit from an alternative investment of the State's funding share. For this study, the alternative investment was assumed to be income and the additional lost benefit was assumed to be the income impact that would be generated from personal consumption with this income. A RIMS II personal consumption multiplier for New Mexico was used to calculate the income impact.
- o The cost-benefit analysis that compares the State's ten percent share of UMTRA Project costs to the UMTRA Project-related impact on total labor income, including changes in federal tax revenue, was calculated. This analysis appears for yearly data on Table 6, and is summarized on Table 7.
- o The income and employment impacts at the DOE and contractor offices are listed on Tables 8 and 9. The data in the two tables are based on 1990 actual staffing levels for the DOE and contractors and are anticipated to remain at the 1990 level through Fiscal Year 1991. Any variations in future 1991 data are expected to be insignificant.
- o The total combined cost-benefit analysis of the Ambrosia Lake UMTRA Project, including the activities and the DOE and contractor project offices, is shown on Table 10. This table combines the 1991 Ambrosia Lake remedial action cost-benefit analysis with the DOE and contractor Project Office cost-benefit analysis and calculates the estimated 1991 total net benefit per dollar of 1991 State funding.

The rounding of numbers in Tables 2 through 10 may result in totals that differ slightly from the sum of the components.

TABLE 1: UMTRA PROJECT SCHEDULE
 AMBROSIA LAKE, NEW MEXICO
 REMEDIAL ACTION

SITE	PROCESSING SITE		VICINITY PROPERTIES	
	START	FINISH	START	FINISH
<hr/>				
AMBROSIA LAKE	1991	1994	1991	1993
<hr/>				

SOURCE: U.S. DOE, UMTRA PROJECT, INTEGRATED PROJECT MANAGEMENT SCHEDULE
 ISSUED APRIL 16, 1991

TABLE 2: INCOME IMPACT ATTRIBUTABLE TO UMTRA PROJECT ACTIVITY
AT AMBROSIA LAKE, NEW MEXICO

SITE	FY90 AND EARLIER	FY1991	FY1992	FY1993	FY1994	FY1995	FY1996	TOTAL

Thousands of Dollars								
AMBROSIA LAKE	\$2,365	\$1,751	\$3,400	\$2,888	\$2,106	\$0	\$0	\$12,509

SOURCE: IMPACTS FOR ALL SITES CALCULATED BY THE TSC USING MULTIPLIERS DERIVED FROM
REGIONAL INPUT-OUTPUT MODELING SYSTEM (RIMSII)
U.S. DEPARTMENT OF COMMERCE
BUREAU OF ECONOMIC ANALYSIS

TABLE 3: EMPLOYMENT IMPACT ATTRIBUTABLE TO UMTRA PROJECT ACTIVITY
AT AMBROSIA LAKE, NEW MEXICO

SITE	FY90 AND EARLIER	FY1991	FY1992	FY1993	FY1994	FY1995	FY1996	TOTAL

	Full-time Equivalents							
AMBROSIA LAKE	58	43	84	71	52	0	0	308

SOURCE: IMPACTS FOR ALL SITES CALCULATED BY THE TSC USING MULTIPLIERS DERIVED FROM
REGIONAL INPUT-OUTPUT MODELING SYSTEM (RIMS11)
U.S. DEPARTMENT OF COMMERCE
BUREAU OF ECONOMIC ANALYSIS

TABLE 4: TAX REVENUE ATTRIBUTABLE TO UMTRA PROJECT ACTIVITY
AT AMBROSIA LAKE, NEW MEXICO

DESCRIPTION	FY90 AND EARLIER	FY1991	FY1992	FY1993	FY1994	FY1995	FY1996	TOTAL

Thousands of Dollars								
Direct Taxes on Households								
State Taxes	\$181	\$141	\$277	\$240	\$177	\$0	\$0	\$1,015
Local Taxes	1	1	2	2	1	0	0	7
	-----	-----	-----	-----	-----	-----	-----	-----
Total Direct	\$182	\$141	\$279	\$242	\$178	\$0	\$0	\$1,022
Federal Individual Income Tax	211	162	313	265	210	0	0	1,161
	-----	-----	-----	-----	-----	-----	-----	-----
Total Direct Federal, State, and Local Taxes	\$393	\$303	\$591	\$507	\$388	\$0	\$0	\$2,182

SOURCE: MULTIPLIERS ARE FROM TAX RESEARCH AND STATISTICS OFFICE
TAXATION AND REVENUE DEPARTMENT (MARCH 1985)

TABLE 5: STATE OF NEW MEXICO
ESTIMATED UMTRA PROJECT STATE FUNDING REQUIREMENT
FOR ACTIVITIES AT AMBROSIA LAKE, NEW MEXICO

ACTIVITY	FY90 and EARLIER	FY1991	FY1992	FY1993	FY1994	FY1995	FY1996	TOTAL

Thousand of Dollars								
BASELINE								
P.S. ENGINEERING	\$219.799	\$0.000	\$17.869	\$24.935	\$8.121	\$2.608	\$0.000	\$273.332
V.P. ENGINEERING	3.738	0.000	0.000	0.000	0.000	0.000	0.000	3.738
P.S. REMEDIAL ACTION	242.354	209.200	300.719	480.588	427.535	0.000	0.000	1,660.396
V.P. REMEDIAL ACTION	39.886	0.000	221.318	27.994	0.000	0.000	0.000	289.198
FIELD MANAGEMENT	263.713	0.000	189.275	166.883	116.139	0.000	0.000	736.010

TOTAL	\$769.490	\$209.200	\$729.181	\$700.400	\$551.795	\$2.608	\$0.000	\$2,962.674

SOURCE: BASELINE, CONTINGENCY, AND ESCALATION FROM THE UMTRA 1992 BUDGET - REVISION B.
MR-F's ALBUQUERQUE OFFICE AND CAPITAL EQUIPMENT EXPENSES HAVE BEEN SUBTRACTED FROM THE
STATE'S SHARE.

TABLE 6: STATE OF NEW MEXICO
ANNUAL COST-BENEFIT ANALYSIS OF THE UMTRA PROJECT
ACTIVITIES AT AMBROSIA LAKE, NEW MEXICO

DESCRIPTION	FY90 and EARLIER	FY1991	FY1992	FY1993	FY1994	FY1995	FY1996	TOTAL
<hr/>								
	Thousands of Dollars							
GROSS INCOME IMPACT*	\$2,365	\$1,751	\$3,400	\$2,888	\$2,106	\$0	\$0	\$12,509
LESS FEDERAL INDIVIDUAL INCOME TAX	211	162	313	265	210	0	0	1,161
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
GROSS ECONOMIC BENEFIT TO THE STATE OF NEW MEXICO	\$2,154	\$1,589	\$3,087	\$2,623	\$1,896	\$0	\$0	\$11,349
LESS STATE FUNDING REQUIREMENT	\$769	\$209	\$729	\$700	\$552	\$3	\$0	\$2,963
LESS INCOME IMPACT OF ALTERNATE USE OF STATE FUNDING	243	66	230	221	174	1	0	936
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
NET ECONOMIC BENEFIT TO THE STATE OF NEW MEXICO	\$1,141	\$1,314	\$2,128	\$1,701	\$1,170	(\$3)	\$0	\$7,451

* Includes Federal, State, and Local taxes totalling \$2.182 million.

SOURCE: U.S. DEPARTMENT OF ENERGY, UMTRA PROJECT, TECHNICAL SUPPORT CONTRACTOR

TABLE 7: STATE OF NEW MEXICO SUMMARY OF
COST-BENEFIT ANALYSIS OF THE UMTRA PROJECT
ACTIVITIES AT AMBROSIA LAKE, NEW MEXICO

	LIFE OF PROJECT (1989-1996)

Thousands of Dollars	
GROSS INCOME IMPACT	\$12,509
LESS FEDERAL INDIVIDUAL INCOME TAX	\$1,161

GROSS ECONOMIC BENEFIT TO THE STATE OF NEW MEXICO	\$11,349
LESS STATE FUNDING REQUIREMENT	2,963
LESS INCOME IMPACT OF ALTERNATE USE OF STATE FUNDING	936

NET ECONOMIC BENEFIT TO THE STATE OF NEW MEXICO	\$7,451
=====	
Dollars	
GROSS ECONOMIC BENEFIT PER DOLLAR OF STATE FUNDING Equals gross labor income divided by the State's funding requirement	\$3.83
NET ECONOMIC BENEFIT PER DOLLAR OF STATE FUNDING Equals net economic benefit divided by the State's funding requirement	\$2.51

TABLE 8: INCOME IMPACTS OF THE DOE AND CONTRACTOR PROJECT OFFICES
ON THE STATE OF NEW MEXICO IN FISCAL YEAR 1990

	DIRECT EXPENDITURES	INDIRECT EXPENDITURES	INDUCED EXPENDITURES	TOTAL EXPENDITURES
----- Thousands of Dollars				
UMTRA PROJECT OFFICE	\$820			\$820
TECHNICAL SUPPPORT CONTRACTOR	2,848			2,848
MK-FERGUSON	2,348			2,348
OTHER SERVICE INDUSTRIES WITHIN THE CONSTRUCTION MANAGEMENT SECTOR		2,591		2,591
OTHER SECTORS OF THE ECONOMY			10,393	10,393
	-----	-----	-----	-----
	\$6,016	\$2,591	\$10,393	\$19,000
STATE AND LOCAL TAXES GENERATED FROM THE LABOR EXPENDITURES	\$617	\$266	\$1,066	\$1,949

SOURCE: BUREAU OF BUSINESS AND ECONOMIC RESEARCH, UNIVERSITY OF
NEW MEXICO (MAY 1991).

TABLE 9: EMPLOYMENT IMPACTS OF THE DOE AND CONTRACTOR PROJECT OFFICES
ON THE STATE OF NEW MEXICO IN FISCAL YEAR 1990

	DIRECT EMPLOYMENT	INDIRECT EMPLOYMENT	INDUCED EMPLOYMENT	TOTAL EMPLOYMENT

	Full-time Equivalents			
UMTRA PROJECT OFFICE	19			19
TECHNICAL SUPPPORT CONTRACTOR	83			83
MK-FERGUSON	61			61
OTHER SERVICE INDUSTRIES WITHIN THE CONSTRUCTION MANAGEMENT SECTOR		78		78
OTHER SECTORS OF THE ECONOMY			166	166
	-----	-----	-----	-----
	163	78	166	407

SOURCE: BUREAU OF BUSINESS AND ECONOMIC RESEARCH, UNIVERSITY OF
NEW MEXICO (MAY 1991).

TABLE 10: STATE OF NEW MEXICO SUMMARY OF
COST-BENEFIT ANALYSIS OF THE UMTRA PROJECT
IN NEW MEXICO FOR FISCAL YEAR 1991

	AMBROSIA LAKE (1991 extracted from Table 6)	PROJECT OFFICES (Estimated using Table 8)	TOTAL FY 1991 IMPACT

	Thousands of Dollars		
GROSS ECONOMIC BENEFIT TO THE STATE OF NEW MEXICO	\$1,589	\$19,000	\$20,589
LESS STATE FUNDING REQUIREMENT	209		209
LESS INCOME IMPACT OF ALTERNATE USE OF STATE FUNDING	66		66
	-----	-----	-----
NET ECONOMIC BENEFIT TO THE STATE OF NEW MEXICO	\$1,314	\$19,000	\$20,314
STATE AND LOCAL TAXES	\$303	\$1,949	\$2,252
=====			
	Dollars		
GROSS ECONOMIC BENEFIT PER DOLLAR OF STATE FUNDING Equals gross labor income divided by the State's 1991 funding requirement			\$48.51
NET ECONOMIC BENEFIT PER DOLLAR OF STATE FUNDING Equals net economic benefit divided by the State's 1991 funding requirement			\$47.20
STATE AND LOCAL TAXES PER DOLLAR OF STATE FUNDING Equals net state and local taxes divided by the State's 1991 funding requirement			\$10.78

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4. Economic Impact Study of the Uranium Mill Tailings Remedial Action Project Office, Remedial Action Contractor, and Technical Support Contractor Personnel on the New Mexico Economy, Bureau of Business and Economic Research, University of New Mexico, May 1991.

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