

# The Economic and Fiscal Impact of the Hatfield-McCoy Trail System in West Virginia

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## 2020 Addendum



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Prepared for the Hatfield-McCoy Regional Recreation Authority

## Introduction

In 2020, the Hatfield-McCoy Trail System sold nearly 65,000 trail permits, which represents the highest number of annual permits ever sold, and the system's 20th consecutive year of growth in ridership. Resident, Non-Resident, and Total Permit sales have increased each year from 2017 to 2020. Despite an eight week closure coinciding with the beginning of the COVID-19 pandemic, permit sales still saw a 15.1% increase over 2019 sales. CBER submits this work effort to provide HMRRA with an annual updated economic impact analysis that accounts for significant change over the 2019 results.

## Method

Many of the parameters established during the 2019 Economic Impact Study remain in place, including designation of the state of West Virginia as the study area, usage of the IMPLAN® regional economic impact software, and using spending patterns collected through the 2019 visitor survey. For the purpose of constructing the economic impact model in IMPLAN®, however, 2020 permit sales, operational expenditures and salaries, and employment were used as primary inputs to derive direct, indirect, and induced effects of spending.

The HMRRA provided annual financial statements for 2019 and 2020. The HMRRA supplied payroll figures and hourly rate estimates, which were used to calculate the full-time equivalence (FTE) for an annual employment figure.

Data collected in the 2019 Hatfield-McCoy Trails visitor survey include estimates of expenditures in various spending categories and form the basis of estimated total spending by all trail system visitors.

## Economic and Fiscal Impacts

The estimates generated by the IMPLAN® software represent the economic impact of the presence of the Hatfield-McCoy Trails network on the state. This impact is based on the direct, indirect and induced effects of spending related to the Hatfield-McCoy Trails and non-local visitors. The economic impact is measured in three main categories:

- **Output.** Total output reflects the **dollar value of industry production and represents the total effect of direct, indirect, and induced spending** in the regional economy. Output is represented as an annual estimate of the impact of economic activity.
- **Employment.** IMPLAN® measures employment in **full-time equivalent (FTE)** positions and reflects the number of FTEs directly and indirectly supported by the facility, as well as FTEs supported by induced spending. Thus, employment numbers provided in the following results reflect both full-time and part-time positions and are not a count of individual jobs.
- **Labor Income.** Labor income is inclusive of **all types of employment income**. This includes employee compensation, such as wages, benefits, as well as income received by those who are self-employed and unincorporated business owners.



## Estimated Economic Impact

The extensive network of trails draws thousands of visitors into the project area each year. Non-local visitor spending, coupled with annual expenditures to maintain the function and operation of the Hatfield-McCoy Trails, stimulates the local economy and the State of West Virginia by extension. Quantifying the value of these inputs lays a crucial foundation in better understanding the economic and fiscal benefits of the presence of the Hatfield-McCoy Trails in West Virginia.

In 2020, direct spending from Operations is estimated to generate approximately \$4.2 million in indirect and induced spending in the region, **for a total impact of roughly \$8.6 million in economic activity, with a multiplier of 1.96.**

**Table 1 - 2020 Operations Impacts**

Impact	Employment	Labor Income	Output
Direct	24.0	\$2,048,606	\$4,369,324
Indirect	20.7	\$943,714	\$3,621,842
Induced	4.1	\$183,312	\$583,358
Total	48.8	\$3,175,632	\$8,574,524
		Multiplier	1.96

Visitor direct spending is estimated to generate approximately \$12.5 million in indirect and induced spending in the region in 2020, **for a total impact of \$34.5 million in economic activity, with a multiplier of 1.56.**

**Table 2 - 2020 Visitor Spending Impacts**

Impact	Employment	Labor Income	Output
Direct	296.9	\$8,179,043	\$22,204,121
Indirect	40.4	\$1,928,131	\$6,409,463
Induced	43.2	\$1,923,005	\$6,120,899
Total	380.6	\$12,030,179	\$34,734,483
		Multiplier	1.56

Combined operations and visitor spending for 2020 and is estimated to produce a **state-wide impact of approximately \$43.3 million in economic output (a multiplier of 1.63)**, \$15.2 million in labor income and 429 FTEs.

**Table 3 - 2020 Combined Estimated Impacts (Spending and Operations)**

Impact	Employment	Labor Income	Output
Direct	320.9	\$10,227,649	\$26,573,445
Indirect	61.1	\$2,871,845	\$10,031,305
Induced	47.3	\$2,106,317	\$6,704,257
Total	429.4	\$15,205,811	\$43,309,007
		Multiplier	1.63

## Fiscal Impact Estimation

The State of West Virginia and the local economies surrounding the Hatfield-McCoy Trails benefit from state and local tax revenue generated from the presence of the trail system and related spending supported by its activities and visitors each year. CBER traditionally uses two methods to determine a conservative fiscal impact of the presence of the Hatfield-McCoy Trails on the State. Although not comprehensive, these estimates illustrate the scope of additional benefit provided by the Hatfield-McCoy Trails.

The first method considers the fiscal impacts based on sustained employment and share relative to the state economy. The COVID-19-related decline in unemployment observed in West Virginia during the spring and summer of 2020 (more than 107,000 fewer nonfarm employees year at the peak) strain the model's ability to attribute tax revenues. However, the analysis determined that an estimated 24 FTE positions are directly sustained by the Hatfield-McCoy Trails year-to-year and that approximately 43 FTE additional positions are sustained statewide. The total estimated amount of tax revenue generated by direct employment approaches \$192,000. When indirect and induced employments are included, total estimated tax revenue exceeds \$535,000.

**Table 4 – State and Local Tax Benefit of the Hatfield-McCoy Trail Employment**

	Direct	Total
Initial Business Taxes	\$28	\$77
Business Taxes	\$41,435	\$115,673
Consumer Sales and Use Taxes	\$49,509	\$138,212
Personal Taxes	\$75,765	\$211,512
Excise Taxes	\$23,898	\$66,714
Miscellaneous Fees and Transfers	\$546	\$1,524
Taxes Collected by Counties (state share only)	\$572	\$1,598
Total	\$191,753	\$535,310

Sales and use taxes resulting from non-local visitor spending were also estimated. Motor fuel purchases excise tax rates were calculated at 35.7 cents per gallon.<sup>1</sup> A six percent sales tax rate for each expense category gathered in the visitor survey was applied to the approximated total expenses for non-local visitors, including:

- Prepared food
- Entertainment
- Accommodations<sup>2</sup>
- Retail shopping; and
- Vehicle repair.

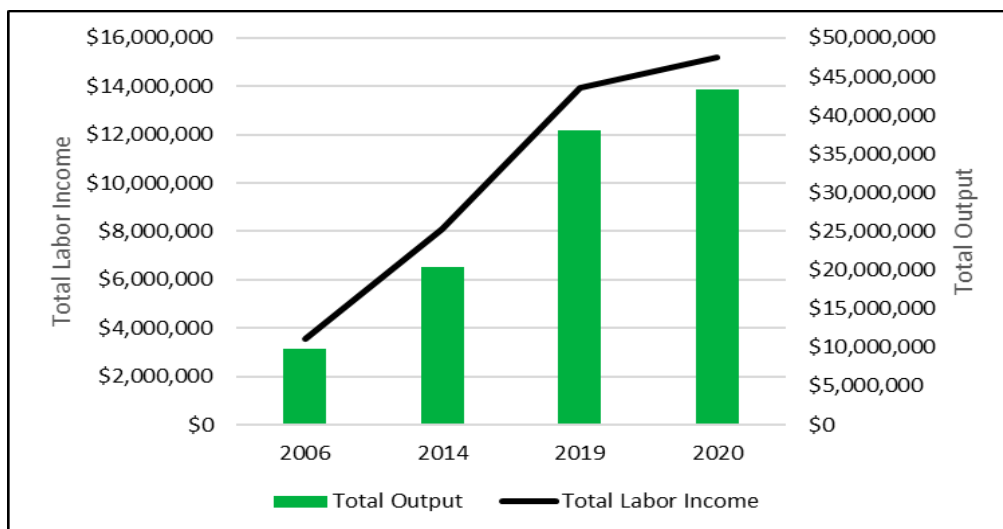
The resulting fiscal impact due solely to sales taxes on non-local visitor spending exceeded \$1.43 million.

### Comparison to Prior Estimates

In 2006, 2014, and 2019 CBER conducted economic impact analyses of the Hatfield-McCoy Trails network on the State of West Virginia. Estimates of FTE employment and inflation-adjusted labor income and total output indicate substantial growth in the economic impact of the Hatfield-McCoy Trails. **Figure 1** illustrates the trend in labor income and total output.

- **Total estimated impacts of total employment have risen from 146 FTE in 2006 to 429 in 2020.**
- **Inflation-adjusted total labor income was roughly \$3.5 million in 2006, rising to \$15.2 million in 2020.**
- **Total inflation-adjusted estimated impacts of output have risen from \$9.8 million in 2006 to \$43.3 million in 2020.**

**Figure 1. Economic Impact Change Since 2006**



<sup>1</sup> This includes \$0.205 flat excise tax per gallon and a variable sales tax rate that cannot be less than \$0.152 per gallon, based on an average wholesale price of \$3.04. Please see West Virginia Tax Laws - Fifty-Third Biennial Report, October 2019.

<sup>2</sup> This does not include locally administered county or municipal hotel occupancy taxes. Please see <https://tax.wv.gov/Documents/TSD/tsd316.pdf> for further information.

## Summary

Activities related to the presence of the Hatfield-McCoy Trails in West Virginia (including operational effects and visitor spending) continue to benefit the state and local economies as it has for roughly two decades. The major difference today is the level of that impact. In 2006, total inflation-adjusted impacts were estimated to \$9.8 million. For 2020, the total estimated economic impact of the Hatfield-McCoy Trails is more than \$43.3 million (or 4.4 times the level in 2006 even when adjusting for inflation).

Tens of thousands of visitors to the state not only bring tourism dollars, delivering jobs, wages and tax impacts to the region, but also provide an opportunity to enhance the image of the state and its scenic terrain. Further, the Hatfield-McCoy Trails also provide benefits to landowners through public-private partnerships and access to shared services such as insurance, professional management services and law enforcement.

In 2020, the Hatfield-McCoy Trail System sold nearly 65,000 trail permits, which represents the highest number of annual permits ever sold, and the system's 20th consecutive year of growth in ridership. Resident, Non-Resident and Total Permit sales have increased each year from 2017 to 2020. Despite an eight-week closure coinciding with the beginning of the COVID-19 pandemic, permit sales still saw a 15.1% increase over 2019 sales. Much of the estimated increase in output and labor incomes is directly tied to the increase in out-of-state permit sales and the accompanying visitor spending. It should be taken into consideration, however, that the magnitude of the increase in permit sales is likely driven by the unique travel environment created by changes in employment and travel patterns from COVID-19 and varying state and federal policies. It should not be considered a straight-line effect establishing a new baseline from which future estimations should be evaluated without context.