

The Economic Impact of Ski Areas Represented by the Inland Northwest Ski Association

David Bunting, PhD
Professor of Economics,
Institute for Public Policy and Economic Analysis
Department of Economics
Eastern Washington University
Cheney, Washington 99004
509-359-7947
dbunting@ewu.edu

Mark Wagner, MA
Policy Analyst,
Institute for Public Policy and Economic Analysis
Eastern Washington University
509-359-6937
mwagner@mail.ewu.edu

D. Patrick Jones, PhD
Executive Director,
Institute for Public Policy and Economic Analysis
Eastern Washington University
509-358-2266
dpjones@mail.ewu.edu

October 3, 2005

Institute for Public Policy and Economic Analysis
668 N. Riverpoint Blvd.
Suite A, Room 238
Eastern Washington University
Spokane, WA 99202-1667

1. Executive Summary

The Inland Northwest Ski Association (INSA) is represented in Washington State by 49 Degrees North in Stevens County and Mt. Spokane in Spokane County, and in Idaho State by Lookout Pass and Silver Mountain, both in Shoshone County, and Schweitzer Mountain in Bonner County. In the four seasons of 2000-01 through 2003-04, INSA resorts averaged just over \$17 million in total annual visitor spending and over 670 full and part time jobs, with an annual payroll of \$6.3 million.

The mission of the INSA is to “raise awareness of Inland Northwest skiing and snowboarding opportunities.” To this end, the association contracted with the Institute of Public Policy and Economic Analysis at Eastern Washington University to estimate the economic impact of its members on the counties where their ski facilities are located. The study goal is to determine the potential role and relative importance of INSA activities in local and regional development plans and proposals. The impact analysis was conducted with IMPLAN Pro, an impact analysis program developed by the IMPLAN Group, using operating statistics provided by INSA members and county data compiled by IMPLAN.

Recently, participation in skiing and related resort activities, as measured by the number of annual visitors to all U.S. ski areas, facilities and resorts, increased about 10 percent, after a long period of stagnation. From the 2000-01 through the 2003-04 season, ski facilities in Idaho and Washington averaged 3.2 million visitors annually, ranging from a high of 3.6 million during the 2001-02 season to a low of 2.6 million during the next season. Annual visits to INSA facilities show similar variation, ranging between 440,000 and 530,000 visitors, with an average of 487,000 over this four season period.

While a complete residence survey is not available, 71 percent of INSA season pass holders were drawn from the Inland Northwest, with more than 63 percent residing in Spokane County and most of the remaining living in Kootenai County. Visitors spending patterns at INSA facilities are consistent with those found nationally or for similar resorts, with lift tickets and season passes generating nearly 50 percent of total revenue, followed by restaurant and bar sales, lodging and miscellaneous sales.

In the industrial classification system developed by the U.S. Census Bureau, businesses operating ski facilities are assigned to industry 713920 (Skiing Facilities) and included in subsector 713 (Arts, Gambling and Recreation Industries). Skiing facilities and other parts of this subsector were incorporated into the impact modeling system as sector 478, Other Amusement, Gambling, and Recreation. Overall, INSA members are about 20 percent smaller than typical ski facilities nationally. While average employment of 134 is less than the national average of 168, average wages are slightly larger. When restricted to sector 478 industries in the four county study region, total sales at INSA ski facilities account for 11.4 percent of total sector output of \$149.3 million and 23.5 percent of total sector employment of 2,851.

Economic impact analysis seeks to estimate how *new*, not replacement, spending ultimately affects regional output, employment, and income. Major sources of new spending from INSA resorts are skiers from other regions and from “import substitution” by local skiers, that is, the substitution of out-of-area skiing and other out-of-area activities by residents of the four counties. In this report, “retention” refers to the more technical term of import substitution.

Impacts are estimated under three scenarios. All three use the average value of activities over the four seasons. Under the first, **New Visitor** spending, estimated at 29 percent of INSA output (sales), or \$4.94 million, indirectly resulted in \$1.97 million in purchases from industries supporting INSA activities and induced another \$1.52 million in consumer spending. This yielded a total annual impact of \$8.42 million. Direct employee compensation of \$1.79 million produced a total impact of \$3.27 million, business taxes of \$0.30 million grew to \$0.47 million in total taxes and direct average monthly employment of 194 expanded to a total employment impact of 276 equivalent jobs.

Under the second and most plausible scenario, **New Visitor + Retention** spending, estimated at 79 percent of output, or \$13.45 million, led to indirect sales of \$5.36 million and induced \$4.13 million in additional consumer spending. This yielded a total impact of \$22.94 million. Direct employee compensation of \$4.96 million produced a total impact of \$8.90 million, business taxes of \$0.81 million grew to \$1.28 million and

direct average employment of 529 expanded to a total employment impact of 751 equivalent jobs.

Under the third scenario, assuming that total ski activity represented new spending, here **All INSA Sales**, \$17.02 million produced \$6.79 million in indirect sales and \$5.23 million in induced consumer spending. This yielded a total annual impact of \$29.04 million. Direct employee compensation of \$6.28 million produced a total impact of \$11.26 million, business taxes of \$1.03 million grew to \$1.62 million and average monthly employment of 670 expanded to a total employment impact of 951 equivalent jobs.

Each additional \$1.0 million dollars in sales directly leads to \$0.37 million in personal income, \$0.06 million in business taxes and 39.4 jobs. After indirect and induced effects, output increases to \$1.71 million, income to \$0.66 million, business taxes to \$0.10 million and 56 equivalent jobs are created. A \$1.0 million change in employee compensation leads to \$1.79 million in total personal income; a \$1.0 million change in business taxes produces \$1.57 million in total business taxes while each new INSA job ultimately results in a total of 1.42 equivalent regional jobs.

Based on the most plausible scenario, the *indirect*, or inter-industry impact of \$5.36 million by INSA resorts revealed an interesting pattern of affected industries. At the top was the real estate industry, accounting for 17 percent of all indirect spending, followed by professional, scientific, and technical services, at 11 percent. The indirect impact of employee compensation of \$2.15 million was distributed first to professional, scientific, and technical services industry incomes, at 16 percent, and then to administrative and support services, at 10 percent. Of the indirect employment impact of 122 equivalent jobs, 14 percent went to both the professional, scientific, and technical services industry and administrative and support services.

Again based on the most plausible scenario, the *induced, or consumption-driven* impacts of the INSA revealed similar distribution of affected industries. The induced output of \$4.13 million went first to health care and social assistance (17%) followed by both the owner occupied dwellings and retail trade sectors (12%). The induced impact for employee compensation of \$1.79 million, was led by a 27 percent increase in the incomes of health care and social assistance personnel and 17 percent increase for

retail trade personnel. Finally, the induced impact on employment was 100 equivalent jobs, of which 21 percent were in health care and social assistance followed by 18 percent in the retail trade industry.

Tax effects are separated because of differing Idaho and Washington tax codes. Under the second, or New Visitor + Retention scenario, INSA members paid an estimated \$0.81 million in direct business taxes. This increased to nearly \$1.28 million when total effects were considered. Nearly all these taxes were state and local sales and property taxes, accounting for 76 percent of the taxes paid in Idaho and 81 percent in Washington.

In summary, impacts from the third scenario are about three and a half times larger than those from the first. When only new visitors are considered, regional output is estimated to increase by \$8.42 million, personal income by \$3.27 million, business taxes by \$.47 million and employment by 276 equivalent jobs. Under the third, most optimistic scenario, where all INSA sales represent new spending, output would increase by \$29.04 million, personal income by \$11.26 million, business taxes by \$1.62 million and employment by 951 equivalent jobs. Under the second, most reasonable scenario, INSA facilities cause regional output to increase by \$22.94 million, personal income by \$8.90 million, business taxes by \$1.28 million and employment by 751 equivalent jobs.

The economic impact of ski facilities has been studied in a variety of contexts, with the common finding that they create significant economic benefits in the region where they are located. Impact multipliers found for INSA compare favorably with those from prior studies for the ski industry in Michigan, North Carolina and Vermont and for specific resorts in Michigan and Colorado.

To bring the most likely scenario, New Visitors + Retention, into clearer relief, INSA members should consider more elaborate visitor surveys that elicit spending patterns, geographical origins, and skiing and recreational experiences that compete with their resorts. This information would be useful for more elaborate impact studies as well as the identification of unmet skier needs and potential opportunities for expanded resort activities.