

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

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Final Report

Executive Summary

Prepared for:

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Prepared by:

Center for Business and
Economic Research
Marshall University
One John Marshall Drive
Huntington, WV 25755

Executive Summary

The Center for Business and Economic Research at Marshall University was commissioned by the Hatfield-McCoy Regional Recreation Authority to prepare a comprehensive economic impact study of the Hatfield-McCoy Trail System. The results of the analysis can be summarized as follows.

- The Hatfield-McCoy Trail System was established in 1996 by the West Virginia Legislature to provide trail based outdoor recreational opportunities in seven (now nine) southern West Virginia Counties.
- Since the first trails were opened in 2000 the impact of the Hatfield-McCoy Trail System has grown and become a significant factor in the economic life of the region.
- Currently there are five trail systems located in four counties with over 500 miles available for use. The plan calls for 2,000 miles of trails with appropriate facilities and amenities in all nine counties along with an Off-Highway Vehicle Park to be built in Kanawha County.
- Since the first trails were opened, users have increased by more than six fold to 24,285 in 2005.
- The system is governed by the Hatfield-McCoy Regional Recreation Authority.
- The West Virginia Legislature has provided exemptions from liability for private landowners whose property is being used as part of the trail system. This exemption created a mutually beneficial public-private partnership which was a significant innovation for trails in the eastern United States.
- Throughout the year, the Hatfield-McCoy Trail System schedule five significant ATV and dirt bike events which bring not only significant numbers of users but provide national visibility to the system. These events are essential to increased use of the system in the future.
- Despite its short lifespan, the Hatfield-McCoy Trail System has received several national recognitions for excellence in its facilities and activities. This includes being chosen as one of the very few National Recreation Trails designated by the U.S. Department of the Interior.
- The economic base of the region served by the system is one of the poorest areas in the U.S. with incomes, wages and earnings well below the national and West Virginia averages, though in 1969 the figures for all three were virtually identical. In 2004, while West Virginia's per capita

income was only 78 percent of the national average, the Hatfield McCoy region's was only 63 percent. For earnings, West Virginia was only 68 percent of the national average and the study region's was only 48 percent. The Hatfield McCoy Trails is a major factor in improving the economic conditions of the area.

- The region is one of the most isolated in the nation, although the presence of Corridor G has reduced that situation and made development of the Hatfield-McCoy Trail System possible.
- Educational attainment is also low in the region as the lack of jobs has caused an out-migration of the better educated seeking improved opportunities elsewhere. The result of this is a household poverty rate which is well above the West Virginia average of 17.9 percent and the national average of 12.4 percent. For the region, 26 percent of the families live with incomes below the poverty line.
- The economic impact of the Hatfield-McCoy Trail System to the region and the State is significant and includes benefits which were beyond the scope of this study.
 - While not estimated in this study the Hatfield-McCoy Trail System provides significant health benefits to participants with significant reduction in medical costs from diseases such as cardiovascular, cancer, diabetes, osteoarthritis, osteoporosis, obesity and depression. By providing outdoor-recreational activities to the residents of the area savings to the State result as most medical costs in the region are directly or indirectly paid by the State.
 - There are also significant benefits to landowners from the public-private partnerships into which they enter when they allow use of their land for trail purposes. As economic development takes place the tax burden on existing property owners may decrease or governmental services increase. As development continues property values rise. Professional trail management also reduces illegal use of private property and improves access and infrastructure.
 - Educational opportunities are enhanced by the presence of the trails as they serve as living laboratories where students can experience science and history. The trails system also provides a way for those pursuing degrees in biology or outdoor recreation to gain real world experience.
- The potential demand for the opportunities presented by Hatfield-McCoy Trail System is increasing. Almost half of the population of the U.S. and inhabitants of all major metropolitan areas in the East, South and Mid-West lives within a day's drive of the area. These individuals possess the financial

capacity to use the system. The relative shortage of trail related opportunities in the Eastern U.S. provides a fertile market for continued growth and expansion of the Hatfield-McCoy Trail System.

- Outdoor recreation is one of the fastest growing economic activities in the nation. Last year over \$33 billion was spent on outdoor recreation equipment. Over 159 million individuals in the U.S. participated in 18.3 billion outdoor recreation activities. This participation assures future demand for the system.
- The current economic impact of the Hatfield-McCoy Trail System was demonstrated using two methods.
 - The first was to look at the changes in economic activity in business most likely to be impacted by the trails. These impacts are measured using the latest data and compare the 1997 Census of Business with the 2002. Since the trails only opened in 2000, their effect will not be fully reflected in the figures. Not all of these changes can be solely attributed to the trails as the completion of Corridor G has opened up the area to increased commercial activity. But there is no doubt that the Hatfield-McCoy Trail System has been a major factor in this development.
 - Total retail sales have grown by 12 percent and sales per establishment by 25 percent.
 - Payroll increased by \$104 million or 9.5 percent.
 - These gains in sales and payroll were seen in all related sectors including gasoline stations, accommodations, food service and real estate sales and rentals. This latter sector experienced the greatest growth due to the improving property values adjacent to the study area.
 - The second method was to use input-output analysis to isolate the effect of the Hatfield- McCoy system on the economy of West Virginia. This was completed using the IMPLAN model which relates changes in economic activity in one sector to changes statewide. The analysis determines the effect on output, income and jobs. It does so by determining the direct or first round impacts, the indirect impacts which result from the direct spending and the induced effects which are caused as the money is spent and respent though out the state. Calculations are provided for year 2005.
- For the State of West Virginia the total economic impact of the Hatfield-McCoy Trail System was an increase in output of \$7,776,116, an increase in income of \$2,789,036 and the generation of 146 new jobs. The direct, indirect and induced effects are summarized in Table Ex 1.

**Table Ex 1: Summary Impacts of
The Hatfield-McCoy Trail System**

Output	\$7.7 million
Income	\$2.7 million
Jobs	146
State & Local Tax Revenue	\$622,752

- The increase in output, incomes, jobs and state revenue would not have happened in the absence of the system. West Virginia also experiences increases in State revenue from the Hatfield-McCoy Trail System. The total amount from all sales taxes that is created by the system is \$622,752. The amounts from each tax displayed by source are given in Table 19.
- The Legislature provides \$500,000 in funding to the Hatfield-McCoy Regional Recreation authority. The tax return on their investment is 125 percent.
- The West Virginia Parkways Economic Development and Tourism Authority provides the Authority with an additional \$250,000. The total public investment provides a tax return of 80 percent which is considered excellent for a new public project.
- When the returns to the state for additional output and income are considered the pay-off to public investment is 1,037 and 373.1 percent respectively.

The overall conclusion to be reached is that the Hatfield-McCoy Trail System is and will continue to be an important component of the economic development of West Virginia and of the southern part of the State. It will be a catalyst for further development and expansion. As tourism grows it will bring increased visibility to the region as well as its attractiveness for location of other types of business.