2013 Valley County State of the Economy

This document is an attachment to the Valley County Economic Development Strategic Plan (published separately at link).

The content of this document is a collaborative effort of the University of Idaho Extension and the Valley County Economic Development Council.

Contents

Locational context

The economic nucleus of Valley County is Long Valley: a relatively small (250 square miles) high-mountain valley remotely located about 2 hours driving from Boise. This is also where most of the county population resides. The surrounding mountain ranges that make up the rest (86%) of the county are relatively inhospitable and mostly National Forest or part of the *Frank Church - River of No Return* wilderness. McCall, the oldest town in the Long Valley, was founded in the late 1890s and celebrated its formal centennial in 2011. It is located on Payette Lake and as such a recreation attraction from inception. Cascade and Donnelly were founded in 1914 as railroad stations, ultimately absorbing the surrounding towns that were bypassed.

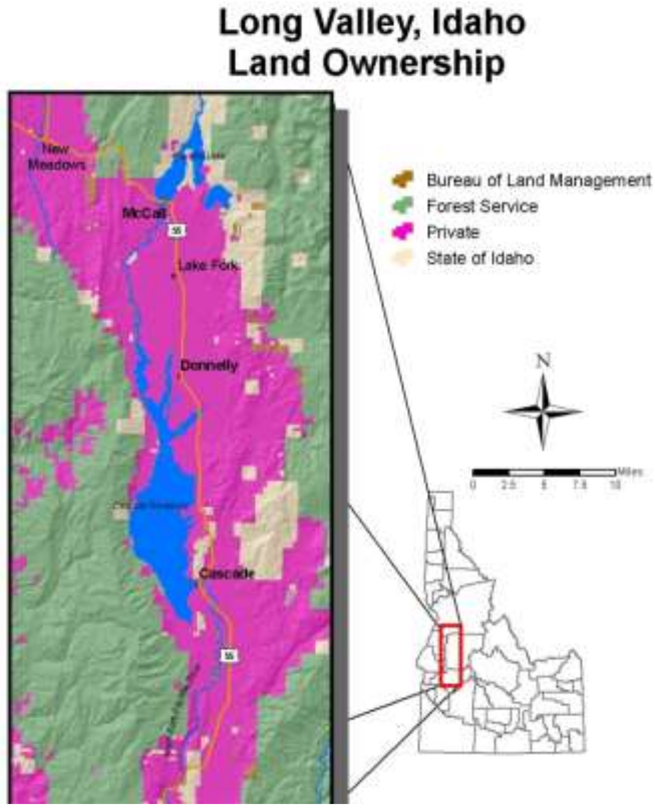


Figure 1: Only a small fraction of Valley County's 3,678 square miles (2½ times the size of Rhode Island) s populated to any significant extent.

Early Economic drivers

Precious metals were the principle reason for Valley County’s initial importance. Mining diminished to insignificance by the end of the 1930s although the strategic demand for tungsten during World War II gave mining a second life under government contracts. Since then, economic contributions from mining were mostly through government-paid cleanup efforts of toxic tailings. With metal prices at a new high, mining may go through a third revival. Midas Gold, a Canadian mining company, acquired 45 square miles of claims in the area and currently employs a few hundred individuals in its exploration efforts. Timber was a more contiguous driver of the region’s economy, greatly accelerated by the 1914 railroad. With depleting inventories and a subsequent conservationist turn in National Forest logging policies, locally owned sawmills sold out to Boise-Cascade (now OfficeMax) in the 1950s and 60s. In its strive for increased economies of scale to counter commodification, Boise-Cascade further consolidated operations in the Pacific Northwest which finally lead to the closing of Cascade’s saw-mill, Valley County’s last, in 2001.

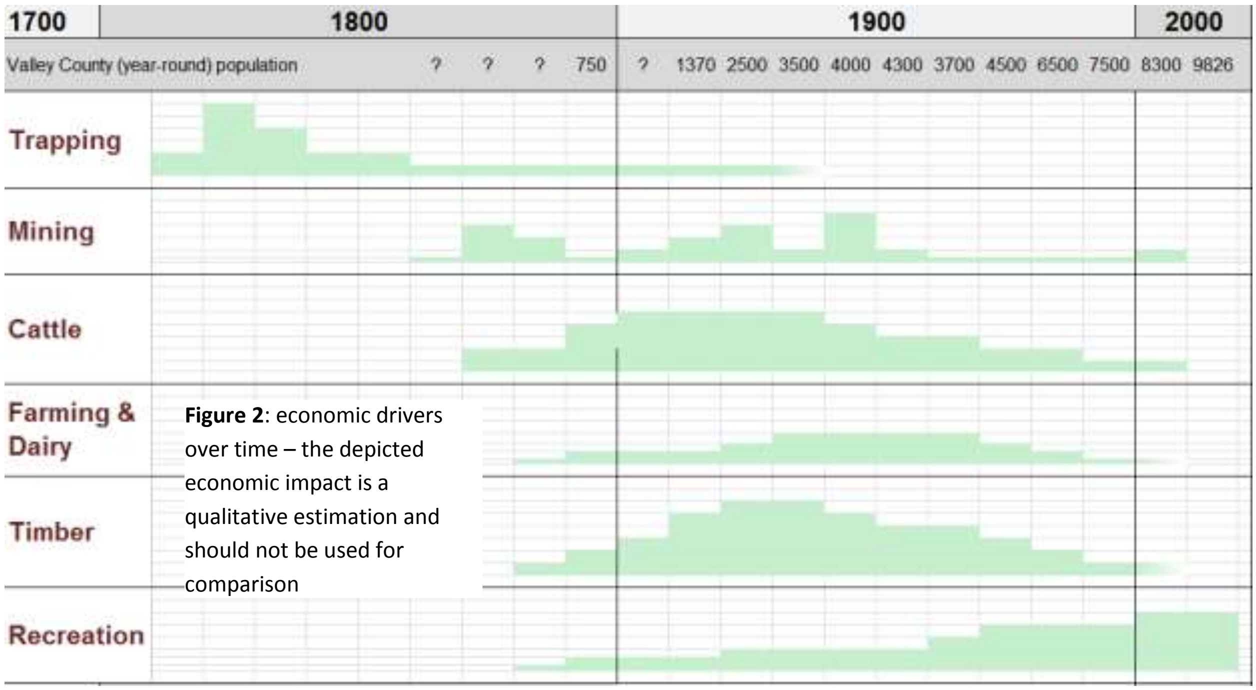


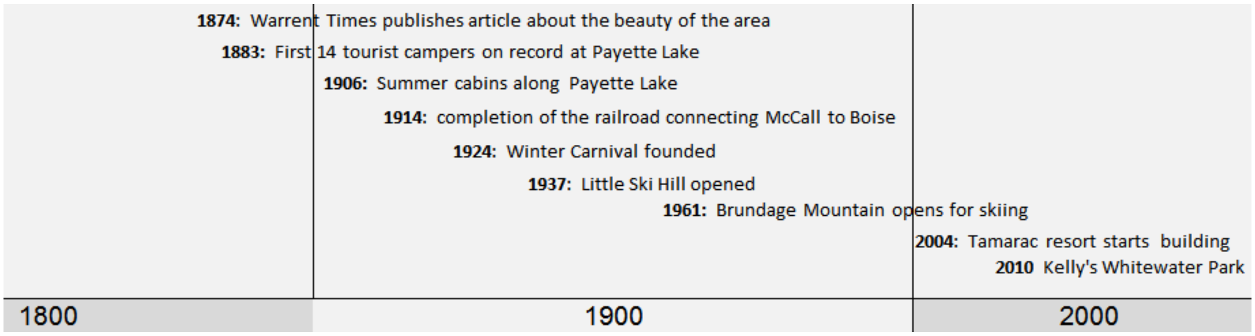
Figure 2: economic drivers over time – the depicted economic impact is a qualitative estimation and should not be used for comparison

Farming and ranching was the third pillar of the county's economy. The healthy rangelands in Long Valley, and the 1000' lower elevation Meadows Valley in Adams County, are an excellent summer range. The Campbell Ranch (Circle C) in Meadows Valley, known for its quality of beef, was at one time the largest family-owned ranch in Idaho. Smaller local operations made a living by combining dairy, poultry & pigs with any farming that suited the short growing season. Those mixed operations disappeared when regulations and commodification made local dairies unprofitable, in turn making small-acreage operations unprofitable. Ranching is still an important land-use in Valley County, but most cattle are now trucked in from the Snake River Plain and grazed on a combination of owned and leased lands. Flush times (especially before and during the recent real estate boom) also caused much of the productive lands to be in play for subdivision.

Current Economic Drivers

That brings us to the dominant driver of the region's current economy: recreation. Like many gateway communities, the decline of extractive sectors made for an increased reliance on tourism which, in turn, tends to drive a (generally low-wage, low-added value) hospitality sector. Valley County's welfare profile reflects this through a significant difference in per-capita income and average wages. Valley County's per-capita income is among the highest in Idaho, reflecting well-off retirees and individuals that moved to the area for its recreational amenities. The hospitality sector, in turn, dictates wages which are below even Idaho's non-metropolitan average.

Figure 3: recreation development in Valley County



A recreation economy can also drive a strong, higher paying construction sector fueled by demand for (second) homes. Recreation induced construction is eventually constrained by availability of suitable land and the region's stewardship in land use (indiscriminative development will accelerate erosion of viewscape and amenities and subsequently marginalize and commodify development).

The third major export sector in the county's base economy is driven by federal and state services – National Forest, the school and park system. During the recession this sector has become more important for the region and currently provides more than 40% of the wages in the County (figure 4).

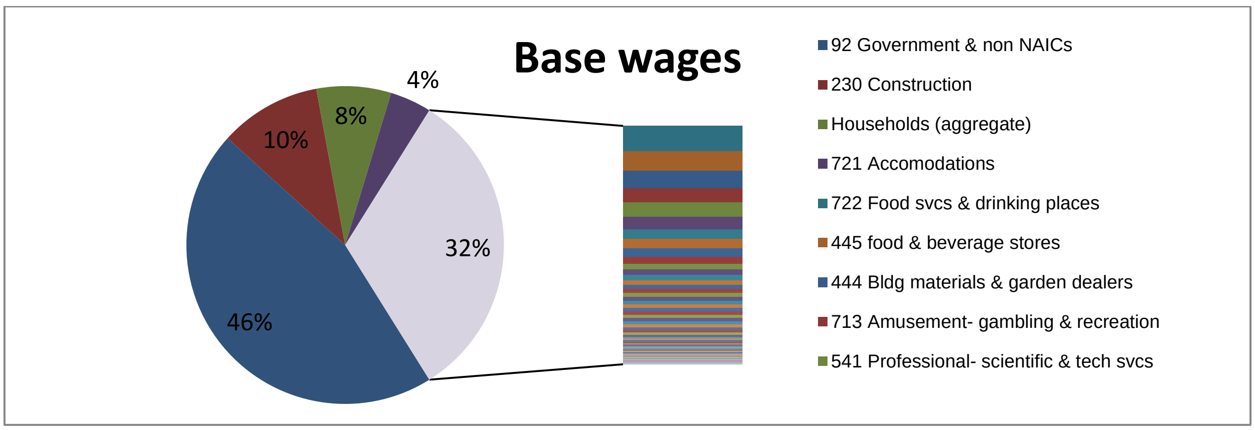


Figure 4: 2010 Base Economic data. Base data include both direct impact as well as the indirect and induced (domino) effect that a sector has on other sectors. *Source*: IMPLAN 2010
Sector [92] (made up mostly by State and Federal Forest Service and the county's school system) is then the largest sector in Valley County's economy. More importantly, though its economic impact is about a quarter of the economy, the wages (added value) it represents is more than 40% of wages paid out in the county.

With a continued pressure on federal budgets, the contribution of this sector to the region's economy is expected to reduce. Depending on this reduction we may see a slower economic recovery of the region in the off-seasons.

Demographics

General wealth and welfare

The following three demographics jump out to for the region (County Demographic Profile on page 2):

- Age: the population has a very small youth component (ranking 40 out of 44 counties in Idaho with respect to the population under 18) and, conversely, a relatively high median age (48 years old versus the Idaho average of 35).
- Wealth: there is a relative large discrepancy between average household income (ranked 10) and average wages (ranked 27), indicating a prevalence of low added-value job opportunities.
- Diversity: the region has little ethnic diversity (98% Caucasian);

The wealth profile of the region is worthy of more detail. There are two components to wealth within a regional economy:

- Income, or how we maintain and change our wealth,
- Assets or capital that a region possesses: the availability of resources (natural, social and cultural) in addition to the knowledge and talent – together defining the future of a region.

Even though assets are ultimately *driving* a region's wealth, economic reporting mostly focuses on how the past manifests itself through the level of income that *flows into* a region. We usually measure income in two ways: per capita income and average wage per job.

<u>Per capita income</u> indicates income regardless of its source. It captures the county's total personal income like wages, retirement income, income from investments, unemployment benefits etc., and divides that over the total number of residents - regardless of job or age. Valley County scores reasonably well in Per Capita Income and ranks 8th in Idaho.

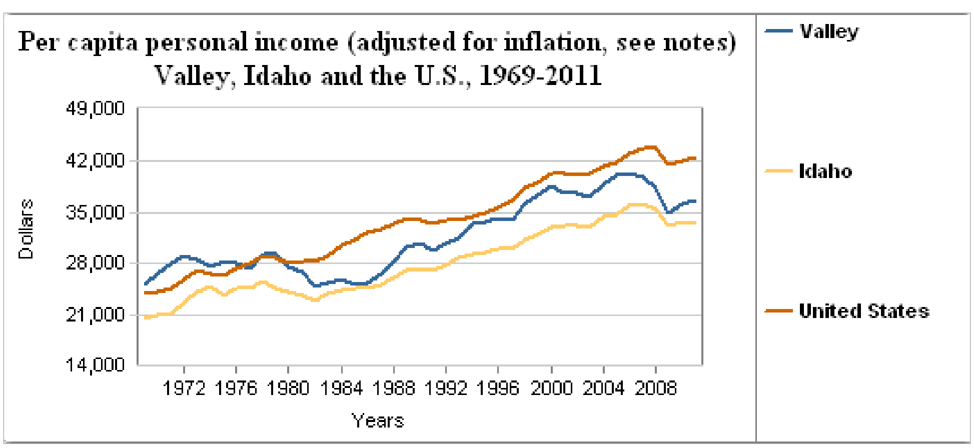


Figure 4: Per Capita Income in Valley County. ***Graph:*** http://www.indicatorsnorthwest.org; *Data source:* 1969-2011: Bureau of Economic Analysis, Regional Economic Data, Local Area Personal Income, Table CA1-3, (http://www.bea.gov/regional/reis/);

What high-scoring regions have in common is usually a presence of strong value-added industry (Ada County), or an abundance of natural and cultural amenities that attract wealthy (semi) retirees (Blaine and Valley County). In the first case, average wages tend to closely trail per capita income. This may not be so in the second case however; since (semi)retirees are a segment supported by independent income from outside the region, per capita Income may not reflect the kind of jobs or wages that exist within that region.

Average wage per job (figure 2) is then much more indicative of the community's living wages and what the average households can expect as income.

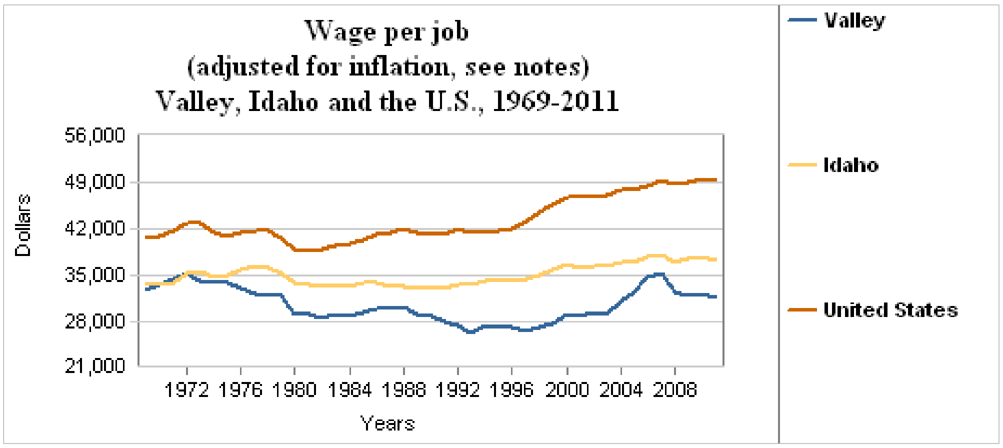


Figure 5: Average wages in Valley County compared to national and state averages. (http://www.bls.gov/oes/current/msa_def.htm)

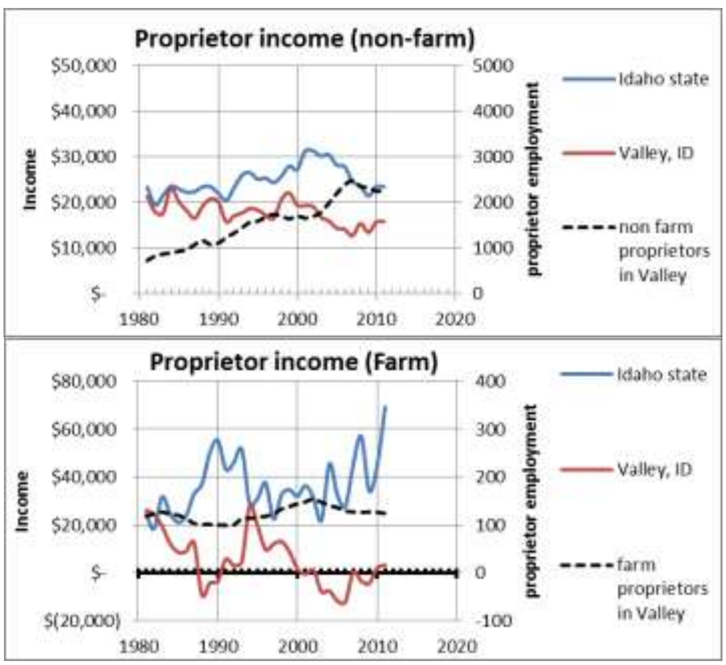


Figure 6: The average proprietors' income is the counterpart to the average wage as a measure of individual economic well-being for those members of the workforce who do not work in wage and salary jobs—including sole proprietorships, partnerships, and tax-exempt cooperatives

Source: 1981-2011: Bureau of Economic Analysis, Regional Economic Data, Local Area Personal Income, Tables C04 and CA25. Income is adjusted for inflation using the GDP price deflators table 1.1.9

Ever since 1976 (the closing of the Boise-Cascade Mill in McCall), Valley County's average wages have trailed the Idaho non-metropolitan average, reflecting its subsequent dependence on a tourism-based economy with its many service-related jobs and associated low wages. Construction jobs for the development of Tamarack resort provided a sudden surge in wages (2006-2007) – an improvement, however, that would have largely disappeared with the completion of the resort as demonstrated by the sudden drop with the resort's premature bankruptcy in 2008.

The region's wealth distribution

Valley County is thus really composed of two distinct population segments as far as dependence goes:

- A relatively affluent group of residents that derive an income from retirement or from outside of the county but choose to live in the region for its locational amenities.
- A group of families and individuals that choose to live in Valley County and make their living through, often seasonal, jobs in the region. During the Tamarack boom, this group was economically suppressed because of an increasingly unaffordable housing stock as a result of price pressure from second home-owners. During the recession this group was again hit hard since the high foreclosure rate in the region made selling a house nearly impossible, thus keeping many families in the region with little or no job opportunity.

Figure 5: A one bedroom house for sale at $74,500 during the Tamarack Boom

This dichotomy is reflected in the region's poverty numbers: overall poverty is below the Idaho average, with accelerating poverty rates for families with young children which are now among the highest in Idaho.

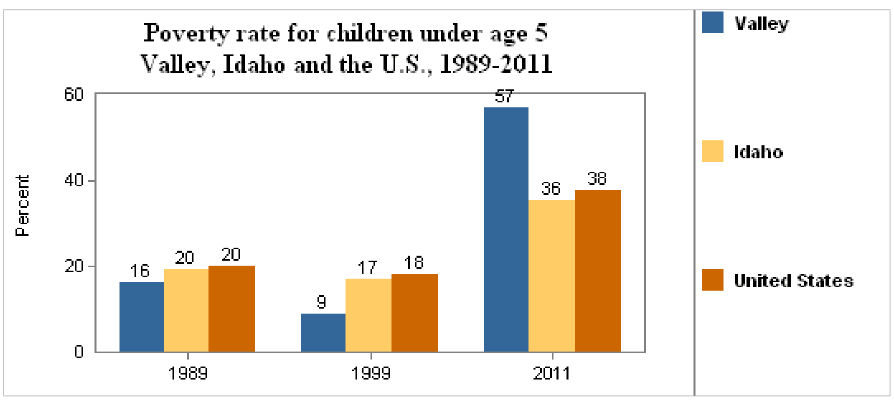


Figure 6: Source: 1969-2011: Bureau of Economic Analysis, Regional Economic Data, Local Area Personal Income, Table CA34, DATE LAST UPDATED: February 20, 2013. Graph: http://www.indicatorsnorthwest.org

Employment and population

Valley County's unemployment rates are among the highest in the State of Idaho, and as such, deserve a separate discussion. First off, figure 5 shows the abrupt spurt after 2007, coinciding with the bankruptcy filing of Tamarack Resort. The Tamarack resort development initiated a very ambitious construction effort in the county, far exceeding the intrinsic (available) construction capacity in the county. As a consequence, construction companies from in- and outside the county heavily recruited transient and permanent workers to the county. With the bankruptcy, this build-up in capacity was no longer sustainable and we therefore see a reduction in available jobs, a shedding of transient workers and a surge of unemployment for the newly recruited residents (figure 8).

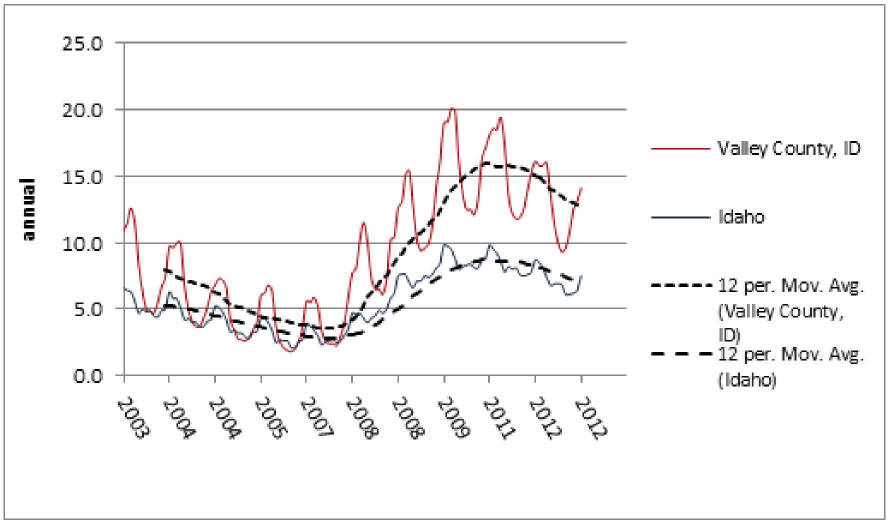


Figure 7: Valley's unemployment over time). Source: Department of labor (http://data.bls.gov/pdq/querytool.jsp?survey=la).

The trends in figure 8 support the demographic development described above: a surge in population influx in 2005-2007, with a decrease in population in the years subsequent. Although job and census data are not current enough to make definitive projections, trends suggest that the county's job market (and related unemployment rate), has not yet reached a relative equilibrium. This is partially due to (diminishing) hope and expectations about a rebound of Tamarack's development activities, partially because of lack of opportunities outside of Valley County due to the current economic climate.

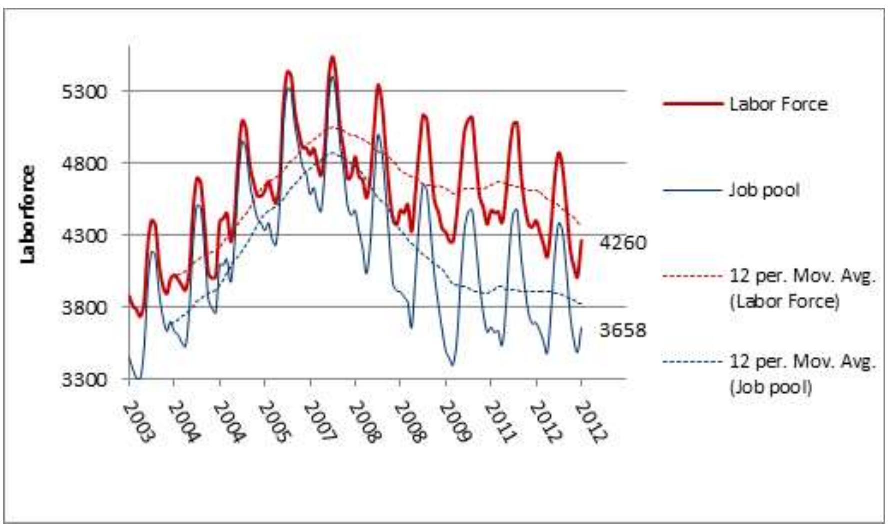


Figure 8: Valley's Labor Force over time (Tamarack peak mid 2007). Unemployed individuals =[labor force] – [job pool]. Source*:* Department of labor (http://data.bls.gov/pdq/querytool.jsp?survey=la).