## Working Around The White Clouds

County and Community Profiles Surrounding Idaho's Boulder, White Cloud, and Pioneer Mountains





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Sonoran Institute

## Working Around The

### White Clouds

by

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#### **About the Sonoran Institute**

A nonprofit organization established in 1990, the Sonoran Institute brings diverse people together to accomplish their conservation goals.

The Sonoran Institute works with communities to conserve and restore important natural landscapes in western North America, including the wildlife and cultural values of these lands. The lasting benefits of the Sonoran Institute's work are healthy landscapes and vibrant communities that embrace conservation as an integral element of their quality of life and economic vitality.

Through community stewardship, the Sonoran Institute contributes to a day when:

• <u>Healthy landscapes</u>, including native plants and wildlife, diverse habitat, open spaces, clean air, and water extend from northern Mexico to Western Canada.

<u>People embrace stewardship</u> as a fundamental value by caring for their communities, economies, and natural landscapes.

• <u>Resilient economies</u> support strong communities, diverse opportunities for residents, productive working landscapes, and stewardship of the natural world.

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#### **EXECUTIVE SUMMARY**

Central Idaho is home to one of the largest unroaded wild areas in the Lower 48 states. Citizens are currently exploring the pros and cons of asking Congress to designate the Boulder-White Cloud Mountains as an officially protected Wilderness area. We hope this report helps to inform that discussion and place it in the larger context of what it will take for the region's residents to prosper.

This report was produced by the SocioEconomics Program of the Sonoran Institute - the first in a series dealing with economic changes in the West - to provide citizens of the area with factual information on the changing demographic and economic conditions of the region, and to help inform a discussion on the consequences of protecting the region's wild lands.

Central Idaho is a diverse region and will require different strategies for each community to succeed in an ever changing and increasingly competitive global marketplace. Vulnerabilities differ from county to county: Custer County has low education rates and lacks ready access, via air travel, to larger markets in metropolitan areas; Butte County has high wages, but depends on a single, federally-funded employer, and most workers do not live in the county; and Blaine County has grown and diversified economically, but is an expensive place to live.

All three counties should realize that competing as a low-cost producer of food, fiber, and minerals is no longer a comparative advantage. This is not to say that these activities are unimportant, but that they are unlikely to be the engines of future prosperity in the region. At the same time, it is worth considering one clear competitive advantage of the area: a world-class landscape that, if treated properly, can yield benefits for this and future generations.

Designation of the Boulder White Clouds as a Wilderness is one important option for protecting the environmental amenities and quality of life for residents in the region. Studies have shown a strong relationship between economic growth and the amount of land in protected status. However, the protection of environmental amenities is a *necessary but not sufficient* condition for economic growth. Access to larger markets via airlines with daily commercial service, an educated workforce, locally-based educational facilities, amenities that will attract and retain an aging population, and high-speed internet access are among the most important factors associated with successful rural development.

Too often economic decisions are made on the basis of bad information or a partial understanding of changing economic conditions. A sound understanding of the local economy, and how it fits within a larger, globally-oriented economy, is also important. Although specific strategies will vary across Central Idaho, every community will have to adapt to changing economic opportunities in order to prosper. And, crucially, this will require a collective vision and cooperation among diverse interests in the region.

The Sonoran Institute hopes that this report helps to stimulate informed discussion on the future of Central Idaho's economy, the relative importance of environmental amenities, and the need to work together to achieve common goals.

#### **ACKNOWLEDGEMENTS**

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#### **PURPOSE OF THE REPORT**

This report was produced by the SocioEconomics Program of the Sonoran Institute. In the last decade we have helped over two dozen communities in North America find ways to protect natural landscapes in a way that also improves the local economy. As a service to these communities, we have developed tools for local citizens to explore the relationship between economic development and the environment. The most prominent is a free, automated system, called the Economic Profile System (EPS), that can be used to produce custom socioeconomic profiles. The EPS was used in the production of this report.

The Sonoran Institute produced this report – the first in a series – in order to stimulate informed discussion among residents about the economic role of public lands, and the challenges and opportunities for economic development in the region. The report takes a close look at the economy of the counties and communities surrounding the proposed Boulder White Clouds Wilderness. (The next report will take an in-depth look at the economy of the Greater Yellowstone region).

The purpose of this report is to describe recent shifts in the economies of Central Idaho and evaluate the changing role of public lands in the regional economy. While the report finds that protecting public lands from future development is consistent with a wide variety of economic development goals, it does not advocate for wilderness per se. If this report generates a discussion on the pros and cons of wilderness designation for the Boulder White Clouds, then the authors hope the discussion occurs in a broader context, including the challenge of providing rural residents opportunities for meaningful employment, while protecting their lifestyle and quality of life.

#### **INTRODUCTION**

The economy of Idaho – also known as the wilderness state – is in some ways a success story. It is a success because it has been able to launch from an historic platform of agriculture and resource development, such as logging and mining, and from there go on to build a hightech, globally-competitive economy. In spite of losses in earnings in the last three decades from farming, ranching, mining and timber, much of the state has prospered in terms of manufacturing, health services, trade, tourism, business services, and information-based service sectors. Recent comparisons with the rest of the nation by the Corporation for Enterprise Development (www.cfed.org) give Idaho an "A" in business competitiveness. Idaho also ranks first in the nation for the number of patents issued, third in new business job growth, and fourth in long-term employment growth.



Photo: Jay Krajic

Idaho's economy is also an encouraging demonstration of how we, as a society struggling with the apparent trade-off between jobs and the environment, can harness our human capital, innovation, and can-do attitude to have the best of both worlds – a prosperous economy, and a wild, unspoiled landscape. In fact, the economy and the environment are most likely complements, rather than substitutes for each other. The Corporation for Enterprise Development also gave Idaho an "A" for quality of life, with some of the highest net in-migration rates in the country. Unfortunately, much of the recent success has been centered in the urban areas, most notably in Ada, Kootenai, and Canyon counties. The performance of the economy in rural Idaho varies dramatically. Some counties have been highly successful, while others are struggling.

<u>Map: Central Idaho</u>



What do we know about rural Idaho? What are its challenges and vulnerabilities? What opportunities exist for economic success and environmental health, and are the two related?

The focus for this report is Central Idaho, with emphasis on Blaine, Butte, and Custer counties and, more specifically, on the communities of Ketchum, Hailey, Arco, Challis, Mackay, and Stanley. Central Idaho was selected for several reasons. This is the wild heart of the state and one of the most beautiful places in the country. Large herds of elk abound, along with big horn sheep, antelope, mountain goats, lynx, wolves, and cougars. Four rivers originate or flow though the region: the East Fork of the Salmon, tributaries to the main Salmon, the Big Wood River, and the Big Lost River. These are the sorts of amenities that draw people and their businesses to Idaho. However, Central Idaho is also rural and remote, and historically dependent on resource extraction and agriculture – industries that have not fared well recently. Of immediate interest to this region, and to the rest of rural Idaho, is whether the mix of rural setting and lifestyle, environmental and cultural amenities, and recreational opportunities are compatible with the needs of business. In other words, have the communities of the region been able to capitalize on their strengths, overcome their weaknesses, and compete successfully in today's global economy?

The second reason this area was selected is because it contains the largest unprotected roadless area in the lower 48 states: the Boulder-White Cloud Mountains. An important discussion is underway in Idaho about designating this area, which encompasses 800 square miles, as a wilderness. This would place limits on motorized recreation, mining, and road building, but would continue to allow traditional uses such as hiking, hunting, fishing, and grazing. This report also addresses this area's dependence on traditional resource-extraction sectors, compares national, regional and state trends to the local area, and assesses the vulnerabilities, strengths, and opportunities for its robust and diverse economy.

#### **Data Sources and Methods**

#### **Data Sources**

Information for this report were obtained from various sources:

*Economic Profile System* (EPS). Jointly developed by the Sonoran Institute and the Bureau of Land Management, EPS is an automated software program that produces custom socioeconomic profiles. Profiles were produced for the nation, the region, the state of Idaho, the non-metro portion of the state, and for individual counties and communities. (EPS, associated databases, and the EPS User's Manual can be downloaded for free from <u>www.sonoran.org</u>). Sources used by EPS include:

- o U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System (REIS)
- U.S. Department of Commerce, Bureau of the Census: decennial census of population and housing
- o U.S. Department of Commerce, Bureau of the Census: County Business Patterns
- o U.S. Department of Labor, Bureau of Labor Statistics

*Idaho Department of Commerce* (www.idoc.state.id.us), including A Profile of Rural Idaho, Idaho At A Glance, and individual county and community profiles.

Corporation for Enterprise Development: 2002 Development Report Card. (www.cfed.org).

We surveyed recent literature on rural development to help place Central Idaho in a larger context, and to compare our findings and our interpretation of the numbers with experts in academia, government, non-profit think tanks, and research institutions. Several resources of note are:

Galston William and Karen Baehler. 1995. <u>Rural Development in the United States: Connecting</u> <u>Theory, Practice, and Possibilities</u>. Island Press, Washington, DC.

Salant Priscilla and Julie Marx. 1995. <u>Small Towns, Big Picture: Rural Development in a</u> <u>Changing Economy</u>. The Aspen Institute. Washington, D.C.

Stauber, N. Karl. 2001. "Why Invest in Rural America – And How? A Critical Public Policy Question for the 21<sup>st</sup> Century." <u>Economic Review</u>. Federal Reserve Bank of Kansas City. Second Quarter. Pg. 33-63.

Castle, E. (Ed.) 1995. <u>The Changing American Countryside: Rural People and Places</u>. University Press of Kansas.

We supplemented our analysis with personal experience working in the area, and with communities throughout the rural West.

#### **Methods Used**

Many of the economic and demographic trends in Central Idaho are similar to national, regional, and state trends. A few others are unique to this three-county area.

In order to place this region in a larger context, the report starts with a brief overview of the nation's economy over the last 30 years. In brief, almost all new jobs have been in "services" as opposed to what are generally referred to as the "goods producing" sectors – agriculture, mining, forestry, and manufacturing. While part of this is an oversimplification as a result of an antiquated industrial classification system used by the U.S. Department of Commerce, the reality is clear: traditional, resource-dependent sectors of the economy, especially in the West, have not been the source of new jobs or personal income for the last three decades. This is true for the Rocky Mountain States, the state of Idaho and, with few exceptions, most of rural Idaho.

To the greatest extent feasible, we have portrayed economic trends over time, showing how the economy has changed in the last three decades. Often people's perception of the economy is stuck in the past, in an era that was familiar and comfortable, and that helped shape people's sense of place and culture. By showing how the economy has changed in the 1970s, 1980s, and 1990s a clear direction appears, making it easier to imagine what the economy of the future may look like.

#### What is Rural?

A clear definition of rural, or non-metropolitan, is difficult to come by, and depends largely on the source of the data. The Idaho Department of Commerce has developed the following typology, all of which could pass for "rural" in one form or another:

*Census Bureau Rural* – any place with fewer than 2,500 residents, or one of any size which is not included in an urbanized area.

Kural Profile of Idaho – in a report by this name (<u>www.idoc.state.id.us</u>) rural is defined as counties with no cities of 20,000 or more.

Non-Metropolitan – counties or groups of counties that don't conform to the U.S. Census definition of metropolitan: containing a place of 50,000 residents or more (a Metropolitan Statistical Area). Those areas not fitting that definition are considered to be non-metropolitan.

For this report, the terms metropolitan and non-metropolitan were used to differentiate between densely populated areas in and around urban centers (e.g., Ada County, home of Boise) from counties that are sparsely populated, and distant from urban centers (e.g., Custer County, home of Challis). The entire analysis area for this report is rural or, more accurately, non-metropolitan, as defined by the U.S. Department of Commerce.

#### "soord About "Services"

Perhaps the most striking finding in this report is the rapid growth of services, in both absolute and relative terms. Services is a term that has caused a great deal of confusion, so a brief overview of the term is important.

Since much of the growth in labor earnings in the U.S. economy over the last two decades has been in services, it should noted that the term is defined in various ways by different researchers. Some economists define services broadly as "all output that does not come from the four goods-producing sectors: agriculture, mining, manufacturing, and construction."<sup>1</sup> The U.S. Department of Commerce defines services more narrowly as major groups 70-89 of the Standard Industrial Classification (SIC) system.<sup>2</sup> However, even its restricted classification includes a wide variety of sectors, ranging from hotels and lodging, social services to business services, and engineering and management services.

In the EPS software used to develop the tables and figures in this report, we define services broadly as "Services and Professional" industries. We also reorganize services into various broad categories – such as producer, consumer, social and government services – to gain a clearer picture of where service growth paying place. We use the term Services and Professional to underscore an important point: service occupations are not just "hamburger flippers and maids," but rather consist of a combination of highpaying and low-paying professions, mixing physicians with barbers, and chamber maids with architects and financial consultants. (Or, as The Economist magazine put it: "Bankers and butchers, policemen and prostitutes, they are all in the services sector.") The real issue surrounding services is summed up by Massachusetts Institute of Technology's Lester Thurow:

"Services is simply too heterogeneous to be an interesting category. The real issue is not the growth of services but whether the economy is making a successful transition from low-wage low-skill industries."

Thurow, L.C. 1996 The Future of Capitalism. New York, William Morrow and Company.

One way to gauge whether a county's economy is creating high-wage jobs is to follow the long-term trends in average earnings per job. Another is to track whether the growth has been in relatively high-

<sup>&</sup>lt;sup>1</sup> E. Ginsberg and G.J. Vojta. 1981. "The Service Sector in the US Economy." <u>Scientific American</u>. 244 (3): 48-55. <sup>2</sup> SIC codes 70-89 are: Hotels, Lodging and Other Places, Placonal Services, Business Services, Auto Repair, Miscellaneous Repair Services, Museum Services, Amusement and Recreation Services, Health Services, Legal Services, Educational Services, Private Households, and Services Mot Elsewhere Classified.

wage producer services – industries counted by government statistics in the general category of services, but that are part of the production process (finance, insurance, real estate, business services, engineering, architecture, and research are examples). Or, is the growth in low-wage service occupations, such as hotels and lodging, amusement and recreation, and social services?

#### **Performance Measures**

No single measure can be used to gauge the well-being or economic success of a county or community. Each has its strengths and weaknesses. For this reason, we used several indicators together, and as much as possible, tried to portray long-term trends.

#### County

- o Population growth
- o Unemployment rates
- 30-year trends in growth of employment and personal income, by industrial category (*e.g.*, mining, retail trade, agriculture) and by sources (*e.g.*, labor and non-labor sources, including retirement and investment income)
- o Long-term trends in average earnings per job.
- Long-term trends in average earnings for proprietors (the self-employed, as a measure of entrepreneurial activity).
- o Growth in high-wage versus low-wage services
- o Long-term trends in net farm and ranch income
- Per capita income, compared to average wages per job

#### Community

- o Median household income
- o Income distribution by household
- Median housing prices
- o Housing affordability (Can the average household afford the average home?)<sup>3</sup>
- Education attainment
- o Percent of residents who are recent arrivals
- o Percent of residents below the poverty level

<sup>&</sup>lt;sup>3</sup> A housing affordability index was produced for each community. The housing affordability figures assume a 20% down payment and that no more than 25% of a family's income goes to paying the mortgage. It is based on an interest rate of 8.03% in 2000. This statistic should be used as a comparative, rather than absolute, measure.



Figure 1: Jobs by Major Category, United States, 1970 to 2000.

#### **The National Economy**

From 1970 to 2000, 84% of the growth in jobs, and 51% of the growth in personal income, in real terms, has come from a broad category, defined in this report as the Professional and Service sector (See www.sonoran.org for a full economic profile of the nation).

During the same period of time, another 38% of the growth in *personal income* came from non-labor income sources: defined as Dividends, Interest and Rent, and Transfer Payments. These are largely money earned from investments and age-related income (retirement and Medicare, for example). Together with Professional and Services, these two sources account for 89% of the growth in real income over the last three decades.

#### Why the Growth in Services?

According to economic geographers Beyers and Lindahl, services have accounted for all net new jobs created in the U.S. in the last 30 years.<sup>5</sup> They point out that since 1970, manufacturing and construction industries have remained stable at around 27 millions jobs. Over the same time period, employment in services has risen from 55 to over 100 million jobs. This includes a mix of industries, including finance, insurance and real estate, health care, non-profit sectors, and producer services.

It may be that services grow because both the demand for and the supply of services has increased. Demand-driven explanations argue that a growing economy and changing demographics result in higher demands for certain services. For example, an aging population results in a rising demand for medical care. This phenomena can be seen by visiting rural communities that are growing, where the local hospital has added a new wing, or new medical clinics, and assisted living centers have been built to service a growing pool of retirees. The demand for services can also rise because new production processes require

<sup>&</sup>lt;sup>4</sup> Unless otherwise noted, figures on these pages were made by the Economic Profile System (see www.sonoran.org, and the Appendix to this report), using data from the U.S. Department of Commerce. <sup>5</sup> Beyers W.B. and D.P. Lindahl. 1998. Services and the New Economic Landscape. Paper presented at the European Regional

Science Meetings, Vienna, Austria, August 28-September 1, 1998.

new services.<sup>6</sup> An example of this is the use of computer-aided design as a tool for civil engineering and architecture – something that did not exist a short while ago. County planning and sanitation departments, state fish and game agencies, and public lands agencies, such as the Forest Service and Bureau of Land Management, all make extensive use of this technology.

Explanations having to do with the supply side of the equation are varied. One explanation holds that some services used to be internal to the firm, but are now performed externally, or are outsourced. Large firms that want to become "lean and mean" will contract for services rather than produce them in-house.<sup>7</sup> An accountant who worked for a manufacturing company used to be counted as part of manufacturing. That same individual, working independently and selling accounting services to the same firm, is now counted as a service worker.

Cost factors may also play a role in outsourcing. Some argue that companies will contract with an external firm for services, such as accounting or engineering, if the costs are cheaper than producing them internally.<sup>8</sup> Technology could also be playing a role, according to some researchers.<sup>9</sup> The development of information technologies and computers has created a whole new array of occupations that did not exist before. For example, personal computers and desktop publishing software, have created jobs in graphic design and desktop publishing.

Other explanations for the growth in services include: a lack of expertise internally, requiring the firm to hire outside consultants; infrequent demand for certain levels of expertise, making it more cost-effective to contract certain functions; and increased flexibility, allowing firms to change direction quickly in response to market fluctuations without having to endure commitments to staff and capital investments.<sup>10</sup>

Regardless of which hypothesis is put forward to explain the growth in services, it is clear that the term "services" is increasingly meaningless. Reich (1991) makes this point in his book *The Work of Nations:* "America's arcane system of national accounting still has separate categories for manufacturing and services – classifying, for example, computer software as a service (although it is reproduced like a manufactured item) and a computer as a manufactured good (although an ever-larger portion of the cost of a computer lies in computer services)."

Because of the difficulty in describing a modern economy with the arcane Standard Industrial Classification system used by the U.S. Department of Commerce, an effort has been made in this report to distinguish between various forms of services. In the pages that follow, each area is described using trend lines to show change by industry over a span of three decades. Services are broken down by type, showing change from 1990 to 2000.

<sup>&</sup>lt;sup>6</sup> Beyers W.B. 1998. Patterns of Service Industry Growth in Western Regional Economies in the 1990s. Paper presented to the Association of American Geographers Meetings. Boston, Massachusetts. March.

<sup>&</sup>lt;sup>7</sup> Harrison, B. 1994. <u>Lean and Mean, The Changing Landscape of Corporate Power in the Age of Flexibility</u>. New York, Basic Books.

 <sup>&</sup>lt;sup>8</sup> Scott, A.J. 1988. <u>Metropolis. From the Division of Labor to Urban Form</u>. Berkeley, California. University of California Press.
<sup>9</sup> Quinn, J.B. 1992. <u>Intelligence Enterprise. A Knowledge and Service Based Paradigm for Industry</u>. New York, The Free Press.
<sup>10</sup> Perry, M. 1992. Flexible Production, Externalization, and the Interpretation of Business Service Growth. <u>The Service</u>

Industries Journal. 12:1-6. Goe, W. 1991. The Growth of Producer Services and Systems of Flexible Production. <u>Urban Studies</u>. 29:857-868. Coffrey, W. and A. Baily. 1992. Producer Services and Systems of Flexible Production. <u>Urban Studies</u>. 29:857-868.

#### Rocky Mountain Region (AZ, CO, ID, MT, NM, UT, WY)



#### Figure 2: Jobs by Major Category, Rocky Mountain Region, 1970 to 2000.

From 1970 to 2000 the economy of the Rocky Mountain States exhibited the same pattern of growth as the rest of the country, albeit with a higher growth in the Services and Professional sectors, which accounted for 75% of job growth in jobs, and 51% of the growth in personal income. Non-labor income sources accounted for another 31% of the growth in personal income during this time period. (See <u>www.sonoran.org</u> for a full economic profile for the Rocky Mountain States).

Table 1, on the next page, breaks down the same data on the economy of the Rocky Mountain States in a different way, breaking sectors into Transformative, Distributive, etc. "Services" have been broken down into categories: Consumer Services (generally low-paying), Producer Services (generally high-wage and closely associated with goods production), Social and Government Services. The latter is a mixture of potentially high-wage (e.g., Health) services and low-wage services (e.g. clerk in the state's department of motor vehicle).

Table I shows that from 1990 to 2000 the fastest growth in services in the Rocky Mountain States was in Producer Services. Personal income from employment in these sectors totaled \$1.5 billion, similar in size to all transformative sectors combined. As the following sections of this report show, the distribution of relatively high-wage services is not equal among rural counties. Given the growth in services, the important questions for rural development are:

- What type of community is able to attract the relatively high-wage component of the service
- o What is the rural West's competitive advantage in attracting these? 'footloose' industries?

| Personal Income                   |           |           |            |                 |                |
|-----------------------------------|-----------|-----------|------------|-----------------|----------------|
| All figures in millions of 2000   | 4000      | 2000      | Manula     | % Observes      | % of New       |
| dollars.                          | 1990      | 2000      | New Income | % Change        | Income         |
| 1 otal Personal Income            | 6,436,782 | 8,314,032 | 1,877,250  | 29%             |                |
|                                   |           |           |            |                 |                |
| I ransformative                   | 07.004    | 00.011    | 2 590      |                 | 101.115.1176   |
| Agriculture                       | 87,034    | 90,614    | 3,500      |                 |                |
| Construction                      | 48,038    | 51,564    | 00 761     |                 |                |
| Construction                      | 272,719   | 303,460   | 81 696     |                 |                |
| Total                             | 1 294 511 | 1 464 003 | 179 582    | 14%             | 10%            |
|                                   | 1,204,011 | 1,404,095 | 110,002    | 1470            | 10 /0          |
| Distributive                      | 000 450   | 440.000   | 112 222    |                 |                |
| Transportation & public utilities | 300,450   | 413,682   | 05.005     |                 |                |
| Wholesale Irade                   | 291,321   | 377,126   | 85,805     | 0.40/           |                |
| lotal                             | 591,771   | 790,808   | 199,037    | 34%             | 11%            |
| Retail Trade                      | 423,624   | 529,301   | 105,677    | 25%             | 6%             |
| Consumer Services                 |           |           |            | State of States |                |
| Hotels & Other Lodging            | 38,228    | 51,730    | 13,502     |                 | Mar Maria      |
| Personal Services                 | 39,327    | 49,488    | 10,161     |                 |                |
| Household Services                | 12,107    | 13,283    | 1,176      |                 | Part of        |
| Repair Services                   | 56,166    | 69,057    | 12,891     |                 |                |
| Motion Pictures                   | 20,414    | 27,364    | 6,950      |                 |                |
| Amusements & Recreation           | 35,470    | 60,017    | 24,547     | 1.010501        |                |
| Total                             | 201,711   | 270,939   | 69,228     | 34%             | 4%             |
| Producer Services                 |           |           |            |                 |                |
| Finance, Insurance & Real Estate  | 321,454   | 576.826   | 255,372    |                 |                |
| Legal Services                    | 99,960    | 121,423   | 21,463     |                 |                |
| Business Services                 | 208,923   | 464,080   | 255,157    |                 |                |
| Engineering & Management Service  | 156,249   | 242,666   | 86,417     |                 |                |
| Membership Organizations          | 43,593    | 58,672    | 15,079     | 101A            | and the        |
| Total                             | 830,179   | 1,463,667 | 633,488    | 76%             | 34%            |
| Social Services                   |           |           |            |                 | 10.4           |
| Health Services                   | 359,140   | 460,393   | 101.253    |                 |                |
| Social Services                   | 35,790    | 60,695    | 24,905     |                 |                |
| Educational Services              | 47,560    | 71.658    | 24,098     |                 |                |
| Total                             | 442,491   | 592,746   | 150,255    | 34%             | 8%             |
| Government Services               |           |           |            |                 |                |
| Federal Civilian                  | 180 531   | 189 964   | 9,433      |                 |                |
| Military                          | 89.868    | 75 017    | -14,851    |                 | and the second |
| State and Local                   | 559,510   | 680.071   | 120.561    |                 |                |
| Total                             | 829,909   | 945 052   | 115.143    | 14%             | 6%             |
|                                   | 020,000   | 040,002   |            |                 | 0 70           |
|                                   |           |           |            | Sector 19       | William Artis  |

Table 1: Personal Income by Major Category, Rocky Mountain Region, 1990 to 2000.

Note: some "services" are called Producer Services because they are closely linked to goods production (*e.g.*, architects for building homes, engineering for manufacturing products). We are indebted to Bill Beyers, Professor of Geography at the University of Washington, for alerting us to a way of reordering SIC codes into categories that allow a closer look at the growth of services by type (Consumer Services, Producer Services, etc.). The original citation for this method is:

Browning, H. and J. Singelman. 1975. <u>The Emergence of a Service Society: Demographic and Sociological Aspects of the Sectoral Transformation in the Labor Force of the U.S.A</u>. National Technical Information Service. Springfield, Virginia.

#### A Persistent Challenge: Falling Earnings per Job

Across the rural West, average earnings per job (adjusted for inflation) have been falling for decades. This is in contrast to increasing earnings per job in the region's cities and the nation as a whole. The chart at right highlights this larger challenge facing the rural West.

It is important to note that per capita income can rise, even if average earnings per job are falling. Non-labor income accounts for this difference and to the extent that nonlabor income is well distributed across the population this is good news for those faring less well on the wage scale.

Explanations of declining wages are outlined below:

1. People may be choosing to live in rural areas for quality of life reasons, but in some areas the increase in population has outpaced the rate of job creation, thereby flooding the labor market and causing a downturn in wages.



- 2. The loss of relatively high-wage occupations in mining (e.g., Custer County).
- 3. The county lies in a remote area, without access to larger markets.
- 4. Average wages per job statistics include full and part-time employment. In some counties only a portion of the eligible workforce works full-time. This drives down average wage statistics.
- 5. More women have entered the workforce, and because of relatively lower pay, or because of fewer hours worked (depending on the county both are likely), average wages per job are discounted.
- 6. Job growth in the region has included relatively low-wage services industries.

Please keep these points in mind when reading through the following sections of this report.

#### Big Picture: The Intermountain West

#### Decline in Traditional Industries

The economy of the West has grown and diversified in the last 30 years, in ways that defy popular perceptions. Almost all of the recent growth has been in sectors other than those related to forestry, mining, oil and gas development, and agriculture – what used to be the traditional staples of the Western economy. A combination of industry maturation, (efficiencies in production requiring less labor and more capital), global competition in both low and high-paying occupations, a slump in world markets for certain commodities, and a movement to produce in low-cost areas of the world help to explain this persistent decline. Although there is an aggregate decline in these industries, there remains a significant amount of variation within industries and across more localized geographies.

#### Growth in Population

The West is now the fastest growing region in the country. Yet this population growth is unevenly distributed across the landscape. Not surprisingly, vibrant urban centers and attractive rural communities represent growth hot spots. A combination of vital job markets, attractive amenities, ranging from recreational opportunities on public lands to good schools, and access to transportation infrastructure are common attributes of these high growth areas. On the other hand, regions that lack a diverse economic base, continue to be difficult to access, do not offer a compelling package of amenities, especially natural amenities, and remain distant from larger markets are experiencing consistent population declines.

#### Growth in "Service" Industries

Today, a significant amount of wealth is created by those who think for a living – by engineers, architects, researchers, designers, financial specialists, managers, and a myriad of occupations variously labeled as "services." Services account for all net new jobs created in the U.S. in the last 30 years. This does not mean manufacturing is not important: since 1970, primary, manufacturing, and construction industries have remained stable at around 27 millions jobs. What this does mean is that 100% of all new growth has been in services. In the last 30 years, employment in services has risen from 55 to more than 100 million jobs. This includes a mix of industries, including finance, insurance and real estate, health care, non-profit sectors, and producer services. In the Rocky Mountain States, service-related industries have accounted for more than 51% of net growth in personal income, in constant dollars, since 1970.

#### Increase in Non-Labor Income

In many rural communities of the West, the largest source of income is the mailbox. The advent of 401(k) investment plans and the bull market of the 1990s have resulted in the ability of a significant number of people to retire early and live in a desirable place. Investment income, combined with pensions and agerelated assistance from the federal government, are the single largest source of income for many rural communities, particularly those in scenic areas such as Central Idaho. Non-labor income sources account are computed of two categories: Dividends, Interest and Rent, often referred to as "money earned from past investments," and Transfer Payments. Transfer Payments consist of government payments to individuals. The majority of Transfer Payments (more than 70%) is related to an aging population and individuals. The majority of Transfer Payments (more than 70%) is related to an aging population and individuals. The majority of Transfer Payments (more than 70%) is related to an aging population and consists of pensions, Medicare and other age-related federal or state benefits.

#### <u>Idaho</u>



Figure 3: Jobs by Major Category, Idaho, 1970 to 2000.

(2.7% of growth). (The lumber and word than 40,000 jobs (8.8% of growth). (The lumber and wood products sector is a subset of manufacturing, and constitutes about 20% of the manufacturing sector).



Figure 4: Personal Income by Major Category, Idaho, 1970 to 2000.

The fastest type of "service" growth was in relatively high wage sectors: health services, finance, insurance and real estate, business services, and engineering and management services.

<sup>&</sup>lt;sup>11</sup> The U.S. Department of Commerce does not release 2-digit level information on employment. Lumber and wood products manufacturing, a 2-digit level sector, can only be described, according to this source, in terms of personal income in the state. 2000, lumber and wood products was 20% of the manufacturing sector, and 3% of total personal income in the state.

During the same period of time, 36% of the growth in personal income (in real terms) was in the Services and Professional sector. Another 36% of the growth was in non-labor income sources, including retirement and money earned from investments.



Figure 5: Average Earnings per Job, Idaho, 1970 to 2000.

Average earnings per job, in real terms, have risen from \$27,947 in 1970 to \$28,103 in 2000. Average earnings for the self-employed (proprietors) was significantly lower (\$20,005) than that of wage and salary employees (those who work for someone else) (more than \$27,000).



Figure 6: Net Farm and Ranch Income, Idaho, 1970 to 2000.

Total net income (in real terms) from farming and ranching, in real terms, dropped from \$981.3 million in 1970 to \$541.4 million in 1985, and then rose to \$616.5 million in 2000.

Some figures below have data gaps due to data restrictions imposed by the U.S. Department of Commerce



In the last 30 years, 69% of the growth in jobs was in the Services and Professional sector. As with the state as a whole, the fastest type of "service" growth was in relatively high wage sectors: health services, finance, insurance and real estate, business services, and engineering and management services.



Figure 8: Personal Income by Major Category, Non-Metro Idaho, 1970 to 2000.

During the same period of time, 33% of the growth in personal income (in real terms) was in the Services and Professional sector. Another 44% of the growth was in non-labor income sources, including retirement and money earned from investments. Mining contributed 2% of the growth in personal income; manufacturing another 3%. Forest products, a subset of Manufacturing, accounted for about one-third of the Manufacturing sector, and less than 2% of total personal income in non-metro Idaho.

<sup>&</sup>lt;sup>12</sup> See page 8 for a definition of non-metropolitan.



Average earnings per job (in real terms) in non-metro Idaho have fallen from \$27,703 in 1970 to \$24,809 in 2000. See page 16 for more information on falling wages per job.



Figure 10: Net Farm and Ranch Income, Non-Metro Idaho, 1970 to 2000.

Total net income (in real terms) from farming and ranching in non-metro Idaho dropped from \$865.6 million in 1970 to \$476.9 million in 1985, and then rose to \$544.7 million in 2000. In 2000, farming and ranching contributed 6% of total personal income.

#### The Importance of Non-Labor Income to Non-Metro Idaho

"In many non-metropolitan 'retirement' communities the mailbox is the biggest source of local income."

Glasgow, N. L. 1991. "A Place in the Country." American Demographics. May, pg. 26.

Non-labor income sources in non-metro Idaho in 2000 contributed \$5.8 billion in personal income. That is more than three times the personal income earned from employment in the following sectors combined: farming and ranching (\$1 billion), mining, including energy development (\$331 million), and wood products manufacturing (\$443 million).

#### Other Important Statistics About Non-Metropolitan Idaho

| Non-Metropolitan Idaho:  | 1970     | 2000     | Percent Change |
|--------------------------|----------|----------|----------------|
| Average Earnings per Job | \$27,703 | \$24,809 | -10%           |
| Per Capita Income        | \$15,223 | \$21,428 | 41%            |
| Metropolitan Idaho:      |          |          |                |
| Average Earnings per Job | \$28,444 | \$32,462 | 14%            |
| Per Capita Income        | \$17,016 | \$27,267 | 60%            |

Table 2: Average earnings per Job and Per Capita income, Metro vs. Non-Metro Idaho, 1970 and 2000.

Note: all figures expressed in 2000 dollars.

The table above shows two key statistics commonly used in describing the performance of an economy: average earnings per job, and per capita income. It serves as a good illustration of why some caution is required when using economic statistics. From 1970 to 2000, per capita income for the non-metropolitan portion of Idaho grew by 41%, even though earnings per job declined by 10% during the same period. How is this possible?

To understand this, we need to review what is included in per capita income (PCI) and average earnings per job:

If total personal income rises faster than the growth in population, per capita income will rise. Since total personal income includes income from 401(k) plans as well as other non-labor income sources such as retirement and income from investments, it is possible for per capita income to rise, even if the average wage per job declines over time. In other words, the non-labor sources of income can cause per capita income to rise, even if people are earning less per job.

Compared to metropolitan Idaho, and in absolute terms, non-metro Idaho has had a decline in average earnings per job, in real terms, from 1970 to 2000. (See page 15 for possible explanations.) Per capita income in the non-metro portion of the state has grown, largely due to the rapid growth of non-labor income sources. In the last 30 years, these contributed 44% of the real net growth in personal income.





From 1970 to 2000, non-metro Idaho grew by 297,958 people, a 61% increase in population. By comparison, during the same period of time the metropolitan portion of the state grew by 284,045 people – a 125% increase.

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Although the growth in population, average earnings per job, and per capita income has favored the metropolitan portion of the state, there is a considerable amount of variability in the quality of jobs available in rural Idaho. This is evident when Blaine, Butte and Custer counties are compared. Key questions to ask when comparing areas are:

- What type of service jobs have been created?
- Which communities attract the high-wage service sectors?

Table 3: Personal Income in Non-Metro Idaho from Types of Service Sectors, 1990 to 2000.

| Personal Income                             |         |         |                |             |               |
|---|---------|---------|----------------|-------------|---------------|
| All figures in millions of 2000<br>dollars. | 1990    | 2000    | New<br>Income  | %<br>Change | New<br>Income |
| Consumer Services                           |         |         |                |             |               |
| Hotels & Other Lodging                      | 72.0    | 93.1    | 21.1           |             |               |
| Personal Services                           | 59.4    | 86.5    | 27.2           |             |               |
| Household Services                          | 17.5    | 20.8    | 3.3            |             |               |
| Repair Services                             | 126.3   | 154.2   | -126.1         |             |               |
| Amusements & Recreation                     | 41.5    | 116.6   | 75.1           |             |               |
| Total                                       | 316.6   | 317.1   | 0.5            | 0.2%        | 0.01%         |
| Producer Services                           |         |         |                |             | es Parg       |
| Finance, Insurance & Real Estate            | 236.8   | 421.2   | 184.           |             |               |
| Legal Services                              | 74.3    | 85.1    | 10.9           |             |               |
| Business Services                           | 140.3   | 303.1   | 162.9          |             | a bitanta a   |
| Engineering & Management Servic             | 542.0   | 734.5   | 1 <b>92</b> .5 |             |               |
| Membership Organizations                    | 66.4    | 91.4    | 25.0           |             |               |
| Total                                       | 1,059.8 | 1,635.4 | 575.           | 54%         | 14%           |
|   |         |         |                |             |               |
| Government Services                         |         |         |                |             |               |
| Federal, Civilian                           | 369.0   | 431.6   | 62.6           |             |               |
| Military                                    | 276.2   | 258.6   | -17.5          |             | NOR DO        |
| State and Local                             | 1,107.2 | 1,608.1 | 501.0          |             | ASSA NO       |
| Total                                       | 1,752.4 | 2,298.4 | 546.0          | 31%         | 13%           |

This table shows, as an example, the growth of personal income from people employed in various types of services in non-metro counties of Idaho (Social Services were left off due to data unavailability).

Note that two relatively high-wage service categories – Producer and Government Services – are growing faster than relatively low-wage services – Consumer Services. As we shall see later, the growth of high-wage services is not equally distributed across counties.



**Blaine** County – from tourist destination to a diverse, urban style "amenity" economy.

Population in 2000: 18,991





In the last 30 years, 69% of the job growth in Blaine County was in the Services and Professional sector. From 1990 to 2000, the fastest growth was in the Consumer Services sector (382% growth). The second fastest growth was in the Producer Services sector (176% growth).



Figure 13: Personal Income by Major Category, Blaine County ID, 1970 to 2000.

During the last 30 years, 42% of the growth in personal income (in real terms) was in the Services and Professional sector. Another 41% of the growth was in non-labor income sources, including retirement and money earned from investments.

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• What type of service jobs have been created?

Table 4: Personal Income in Blaine County, ID from Types of Service Sectors, 1990 to 2000.

| All figures in thousands of 2000  |         |         |            | Color - Color | % of New |
|-----------------------------------|---------|---------|------------|---------------|----------|
| dollars.                          | 1990    | 2000    | New Income | % Change      | Income   |
| Total Personal Income             | 453,489 | 797,080 | 343,591    | 76%           |          |
| LABOR INCOME                      |         |         |            |               |          |
| Transformative                    |         |         |            |               |          |
| Agriculture                       | 15,378  | 25,216  | 9,838      |               |          |
| Mining                            | 2,188   | 6,869   | 4,681      |               |          |
| Construction                      | 56,938  | 103,081 | 46,143     |               |          |
| Manufacturing                     | 18,553  | 15,262  | -3,291     |               |          |
| Total                             | 93,058  | 150,428 | 57,370     | 62%           | 17%      |
| Distributive                      |         |         |            |               |          |
| Transportation & public utilities | 9,899   | 13,261  | 3,362      |               |          |
| Wholesale Trade                   | 9.377   | 21.220  | 11,843     |               |          |
| Total                             | 19,275  | 34,481  | 15,206     | 79%           | 4%       |
| Retail Trade                      | 47,223  | 61,362  | 14,139     | 30%           | 4%       |
| *Consumer Services                |         |         |            |               |          |
| Hotels & Other Lodging            | 0       | 26,587  | NA         |               |          |
| Personal Services                 | 6,277   | 10,630  | 4,353      |               |          |
| Household Services                | 2,109   | 2.622   | 513        |               |          |
| Repair Services                   | 6.003   | 8.239   | 2,236      |               |          |
| Motion Pictures                   | 605     | 1,248   | 643        |               |          |
| Amusements & Recreation           | 2,321   | 34,092  | 31,771     |               |          |
| Total                             | 17,315  | 83,418  | 66,103     | 382%          | 19%      |
| Producer Services                 |         |         |            |               |          |
| Finance, Insurance & Real Estate  | 17,142  | 58,126  | 40,984     |               |          |
| Legal Services                    | 3,561   | 3,800   | 239        |               |          |
| Business Services                 | 12,908  | 36,461  | 23,553     |               |          |
| Engineering & Management Service  | 11,925  | 29,856  | 17,931     |               |          |
| Membership Organizations          | 1,912   | 2,848   | 936        |               |          |
| Total                             | 47,448  | 131,091 | 83,643     | 176%          | 24%      |
| Social Services                   |         |         |            |               |          |
| Health Services                   | 13.336  | 19.808  | 6,472      |               |          |
| Social Services                   | 569     | 1,343   | 774        |               |          |
| Educational Services              | 839     | 2,070   | 1,231      |               |          |
| Total                             | 14,744  | 23,221  | 8,477      | 57%           | 2%       |
| Government Services               |         |         |            |               |          |
| Federal, Civilian                 | 4,806   | 4,940   | 134        |               |          |
| Military                          | 1,096   | 1,020   | -76        |               |          |
| State and Local                   | 23,787  | 40,959  | 17,172     |               |          |
| Total                             | 29,689  | 46,919  | 17,230     | 58%           | 5%       |

\*Consumer Services are underestimated due to disclosure restrictions.

In the last decade, Blaine County has added a mix of low-wage and high-wage jobs to its economy. Producer Services, which consists of relatively high-wage sectors such as Engineering and Management Services, has grown by 176% from 1990 to 2000, adding more than \$83 million in real personal income. In contrast, personal income from the relatively low-wage Consumer Services grew by 382% during that time, adding over \$66 million in real personal income.

These numbers indicate that Blaine County's economy has clearly evolved beyond a resort or tourist economy. Table 3 above shows that Blaine County has grown beyond a dependence on the low-wage sectors normally associated with tourism, and has been able to attract other sectors, such a business, engineering, legal, and financial services. Economists and geographers often refer to this type of development as "amenity-driven," where the main source of growth is the desire of people to want to live in a picturesque rural setting with ample recreational opportunities. In effect, Blaine County has created a diverse, almost urban economy, in a rural setting.



Average earnings per job (in real terms) in Blaine County have risen from \$25,062 in 1970 to \$30,709 in 2000. Average earnings per job in Blaine County was \$30,709, compared to \$28,103 for the state.



Figure 15: Net Farm and Ranch Income, Blaine County, ID 1970 to 2000.

Total net income (in real terms) from farming and ranching in Blaine County dropped from \$7.1 million in 1970 to \$0.1 million in 1985, and then rose to \$2.9 million in 2000. Ranching is steadily declining as a form of economic enterprise: In 1970, 68% of the cash receipts from the marketing of agricultural products was from livestock sales, and 20% was attributed to crops. By 2000, 34% of receipts from marketing were from livestock and 46% from crops. Throughout this time, government payments to farmers and ranchers have remained steady, at 5% of gross income.

#### Figure 16: Employment in Various Sectors, Blaine County, ID: 2000.



Note: Farm and Ag. Services category also includes Forestry Services (e.g., forestry consultants).

Key Findings: (See the complete profile of Blaine County, ID at www.sonoran.org )

- The population of Blaine County, ID has grown very quickly; a 228% increase from 1970 to 2000, or more than 13,284 new people.
- From 1970 to 2000, the Services and Professional sector contributed more than 9,500 new jobs, and more than \$285 million, in real terms, in new personal income. Average earnings per job in Blaine County (\$31,414) are higher than the state's (\$30,709) and lower than the nation's (\$36,316).
- In 2000, employment in Services and Professional accounted for more than \$338 million in personal income, in a mix of high- and low-wage sectors. Relatively high wage sectors Producer and Government Services accounted for \$131 million and almost \$47 million, respectively, in personal income in 2000. Relatively low-wage sectors Consumer Services accounted for another \$83 million in personal income. Social Services, a mix of low-wage and high wage sectors, accounted for \$23 million in personal income.
- In 2000, average wages per job in Blaine County, (\$31,414), were high for a non-metro county. Higher earnings have accrued to wage and salary employment (those who work for someone else), as well as non-farm proprietors (self employed individuals).
- Traditional farming, ranching, and resource sectors today play a relatively small role in Blaine County's economy. In 2000, personal income from the agricultural sector was \$25 million (3.2% of total); personal income from mining was \$7 million (0.9% of total); and manufacturing, which includes the wood products industry, was \$15 million (1.9% of total). Income earned from people employed in lumber and wood products manufacturing was 13% of all manufacturing and 0.2% of total personal income in the county.
- The average annual unemployment rate of Blaine County was 2.9% in 2001.



**Butte County** – *High wages, heavy reliance on the federal government, but with the potential for retaining high-wage residents.* 

#### Population in 2000: 2,899

Due to data restrictions, information prior to 1980 is not available for employment and personal income.



From 1980 (previous data not available) to 2000 employment in Services and Professional sector grew by 1,387 jobs, while 1,239 jobs were lost in the Government sector. 3339



Figure 18: Personal Income by Major Category, Butte County ID, 1970 to 2000.

From 1980 to 2000, the Services and Professional sector added \$90 million in new personal income, while the Government sector declined by \$56 million, and farm and ranch personal income declined by \$4 million. Non-labor income added \$6 million in new income, in real terms.

• What type of service jobs have been created?

| Table 5: Personal Income in Butte County ID from | Types of Service Sectors. | 1990 to 20 | <b>JO</b> U |
|--|---------------------------|------------|-------------|
|--|---------------------------|------------|-------------|

| Personal Income                               |                 |         |            |          |          |
|---|-----------------|---------|------------|----------|----------|
| All figures in theusends of 2000 dollars      | 1000            | 2000    | New Income | % Change | % of New |
| Total Personal Income                         | 50.001          | 65 521  | 15 430     | 31%      | income   |
| LABOR INCOME                                  | 50,091          | 00,021  | 10,400     | 5170     |          |
| Transformative                                |                 |         |            |          |          |
| Aariculture                                   | 6.980           | 3,101   | -3,880     |          |          |
| Mining  | 0               | 1,462   | 1,462      |          |          |
| Construction                                  | 596             | 3,347   | 2,751      |          |          |
| Manufacturing                                 | 89,950          | 258     | -89,692    |          |          |
| Total   | 97,526          | 8,168   | -89,358    | -92%     | NA       |
| Distributive                                  |                 |         |            |          |          |
| Transportation & public utilities             | 792             | 1,599   | 807        |          |          |
| Wholesale Trade                               | 560             | 574     | 14         |          |          |
| Total   | 1,352           | 2,173   | 821        | 61%      | 5%       |
| Retail Trade                                  | 3.025           | 1.916   | -1,109     | -37%     | NA       |
| Consumer Services                             |                 | .,      |            |          |          |
| Hotels & Other Lodging*                       | 35              | 30      | -5         |          |          |
| Personal Services                             | 116             | 215     | 99         |          |          |
| Household Services                            | 33              | 25      | -8         |          |          |
| Repair Services                               | 314             | 448     | 134        |          |          |
| Motion Pictures                               | 33              | 25      | -8         |          |          |
| Amusements & Recreation*                      | 0               | 0       | 0          |          |          |
| Total   | 531             | 744     | 213        | 40%      | 1%       |
| Producer Services                             |                 |         |            |          |          |
| Finance, Insurance & Real Estate              | 414             | 595     | 181        |          |          |
| Legal Services                                | 33              | 80      | 47         |          |          |
| Business Services*                            | 201,573         | 401     | -201,172   |          |          |
| Engineering & Management Services             | 214,880         | 322,702 | 107,822    |          |          |
| Membership Organizations*                     | 148             | 201     | 53         |          |          |
| Total   | 417,047         | 323,979 | -93,068    | -22%     | NA       |
| Social Services                               |                 |         |            |          |          |
| Health Services*                              | 1,581           | 3,686   | 2,105      |          |          |
| Social Services*                              | 306             | 156     | -150       |          |          |
| Educational Services                          | 33              | 25      | -8         |          |          |
| Total   | 1,920           | 3,867   | 1,947      | 101%     | 13%      |
| Government Services                           |                 |         |            |          |          |
| Federal, Civilian                             | 1,304           | 1,947   | 643        |          |          |
| Military                                      | 57,780          | 869     | -56,911    |          |          |
| State and Local                               | 3,733           | 4,213   | 480        |          |          |
| Total   | 62,817          | 7,029   | -55,788    | -89%     | NA       |
| * These categories contain some data that has | been estimated. |         |            |          |          |





Butte County has created some highwage service jobs (engineering and management). (Business Services were "lost" due only to a reclassification by the U.S. Department of Commerce.) The most striking feature is that over four times as much money leaves the county than the county generates in total personal income.



Average earnings per job (in real terms) in Butte County have risen from \$40,103 in 1970 to \$50,512 in 2000. Most of this growth is attributed to high-wage services sectors (Engineering and Management Services) associated with employment in the Idaho National Environmental Engineering Laboratory (INEEL). Notably, average earnings per job for the self-employed (i.e., non-farm proprietors) dropped from over \$38,000 in 1970 to below \$18,000 in 2000. These trends show a heavy dependence on the government as a source of jobs, and a relatively low and declining rate of successful entrepreneurship.



Figure 21: Net Farm and Ranch Income, Butte County, ID 1970 to 2000.

Total net income from farming and ranching in Butte County, in real terms, dropped from \$9.1 million in 1970 to \$0.8 million in 1985, and then dropped to -\$0.2 million in 2000. About 29% of cash receipts from the marketing of agricultural products in 2000 was from crops; 81% from livestock. In 1970, the ratio was about equal; as much from livestock as crops. Throughout this time, government payments to farmers and ranchers grew slightly, from 5% of gross agricultural income in 1970 and 1985, to 8% in 2000.

#### Figure 22: Employment in Various Sectors, Butte County, ID: 2000.



Note: Farm and Ag. Services category also includes Forestry Services (e.g., forestry consultants).

Key findings: (See the complete profile of Butte County, ID at www.sonoran.org )

- The population of Butte County has held steady, with a loss of only 1% over the last 30 years.
- From 1980 to 2000, the Services and Professional sector contributed more than 1,650 new jobs, and more than \$117 million, in real terms, in new personal income.
- In 2000, employment in Services and Professional accounted for more than \$334 million in personal income. More than \$332 million was in the sub-category Engineering and Management Services, which is tied directly to employment in the Idaho National Environmental Engineering Laboratory (INEEL).
- In 2000, average wages per job in Butte County were high (\$50,512), 80% higher than the state (\$28,103) and 40% higher than the nation (\$36,316).
- Total personal income for the county is only \$66 million. Most of the income that is earned by people employed in INEEL in high-wage occupations leaves the county because these workers live in neighboring counties. In 2000, more than \$282 million in personal earnings left the county.
- Traditional farming, ranching, and resource sectors play a relatively small role in Butte County. In 2000, personal income from the agricultural sector was \$3 million (4.7% of total); personal income from mining was \$1 million (2.2% of total); and manufacturing, which includes the wood products industry, was \$0.3 million (0.4% of total). Income earned from people employed in lumber and wood products manufacturing is approximately 44% of all manufacturing and 0.1% of total personal income in the county.
- Net income from farming and ranching has been erratic, with a loss of \$0.2 million in 2000.
- The average annual unemployment rate of Butte County was 3.9 % in 2001.



| <b>Custer County</b> – From boom and bust of resource development to a mix |
|--|
| of ranching, retirement and tourism, and dependence on                     |
| government jobs?   |

#### Population in 2000: 4,342



In the last 30 years, 54% of the job growth in Custer County was in the Services and Professional sector. Another 17% of the growth was in Construction. The Service and Professional sector tended to fluctuate up and down with mining employment, until around 1995. From then on, the Service and Professional sector and Construction grew significantly while Mining noticeably declined.



Figure 24: Personal Income by Major Category, Custer County ID, 1970 to 2000.

In contrast to higher employment figures, only 20% of the growth in personal income, in real terms, was from the Services and Professional sector, indicating relatively low wages. Mining, traditionally a large employer and the source of relatively high-paying jobs, contributed 15% of net new income in the last 30 years. Non-labor sources accounted for 49% of real personal income growth; Government accounted for another 16%. In

2000, non-labor income sources were over three times the income from agriculture, mining, and manufacturing combined. Retirement and disability insurance benefit payments (\$7.1 million) are larger than income earned in agriculture (\$3 million), about the same size as mining (\$7 million), and much larger than manufacturing (\$1 million).





Average earnings per job in Custer County, in real terms, have risen slightly from \$23,518 in 1970 to \$24,287 in 2000. In contrast, average earnings per job in the state are \$28,103, and in the nation, \$36,316.



Figure 26: Net Farm and Ranch Income, Custer County, ID 1970 to 2000.

Total net income from farming and ranching in Custer County, in real terms, dropped from \$5.0 million in 1970 to -\$1.9 million in 1985, and then rose to \$0.8 million in 2000. In contrast to Blaine and Butte counties, the dependence on livestock grazing has increased in Custer County. In 1970, the cash receipts from marketing were 65% dependent on livestock sales and 21% on crops. By 2000, cash receipts from marketing livestock represented 71%, and crops 19%.

- What type of service jobs have been created?
- Are services dependent on traditional resource sectors?

#### Table 6: Personal Income in Custer County ID from Types of Service Sectors, 1990 to 2000.

| Personal Income                   |        | C. S. Ward |            | State In   |           |
|-----------------------------------|--------|------------|------------|--|-----------|
| All figures in thousands of 2000  |        |            |            | Succession.  | % of New  |
| dollars.                          | 1990   | 2000       | New Income | % Change   | Income    |
| Total Personal Income             | 82,739 | 99,564     | 16,825     | 20%  |           |
| LABOR INCOME                      |        |            |            |  | 1111111   |
| Transformative                    |        |            |            |  | 10.2      |
| Agriculture                       | 1,729  | 3,321      | 1,593      |  |           |
| Mining                            | 20,000 | 11,673     | -8,327     |  | The Barry |
| Construction                      | 1,194  | 7,248      | 6,054      |  |           |
| Manufacturing                     | 489    | 1,446      | 957        |  |           |
| Total                             | 23,411 | 23,689     | 278        | 1%   | 2%        |
| Distributive                      |        |            |            |  |           |
| Transportation & public utilities | 5,032  | 5,976      | 944        |  |           |
| Wholesale Trade                   | 1.001  | 1,454      | 453        |  |           |
| Total                             | 6,033  | 7,430      | 1,397      | 23%  | 8%        |
| Retail Trade                      | 3 592  | 4 000      | 1 408      | 30%  | 80/       |
|                                   | 3,302  | 4,990      | 1,400      | 0978   | 0 /0      |
| Consumer Services                 |        |            |            |  |           |
| Hotels & Other Lodging            | 1,580  | 1,716      | 136        |  |           |
| Personal Services                 | 121    | 159        | 38         |  |           |
| Household Services                | 33     | 66         | 33         |  |           |
| Repair Services                   | 548    | 398        | -150       |  |           |
| Motion Pictures                   | 33     | na         | na         |  |           |
| Amusements & Recreation           | 333    | 1,383      | 1,050      |  |           |
| Total                             | 2,649  | 3,722      | 1,073      | 41%  | 6%        |
| Producer Services                 |        |            |            |  |           |
| Finance, Insurance & Real Estate  | 904    | 1,103      | 199        |  |           |
| Legal Services                    | 200    | 250        | 50         |  |           |
| Business Services                 | 1,622  | 1,373      | -249       |  |           |
| Engineering & Management Service  | 362    | 214        | -148       |  |           |
| Membership Organizations          | 245    | 254        | 9          |  |           |
| Total                             | 3,333  | 3,194      | -139       | -4%  | NA        |
| Social Services                   |        |            |            |  |           |
| Health Services                   | 733    | 794        | 61         |  |           |
| Social Services                   | 111    | 577        | 466        |  |           |
| Educational Services              | 33     | 25         | -8         |  |           |
| Total                             | 876    | 1,396      | 520        | 59%  | 3%        |
| Comment Commission                |        | .,         |            |  | A State   |
| Sovernment Services               | 0.000  | 0 700      | 0.440      |  |           |
| rederal, Civilian                 | 6,383  | 8,799      | 2,416      |  |           |
| Military                          | 332    | 241        | -91        |  |           |
| State and Local                   | 6,211  | 8,065      | 1,854      | 2004   | 0.504     |
| Iotal                             | 12,926 | 17,105     | 4,179      | 32%  | 25%       |
|                                   |        |            |            | Section Sectio |           |

Mining data for 1990 estimated at midpoint between known figures.

Unlike Blaine and Butte counties, Custer County has seen growth primarily in the low-wage service sectors. From 1990 to 2000 personal income from employment in Consumer Services grew by 41% and Social Services (especially Health) grew by 59%. In the same period of time, personal income from high-wage sectors in Producer Services fell by 4%, a loss of more than \$139 million. Particularly alarming were the loss from business services, engineering and management services. These declines were likely tied closely to the mining sector, at least until the 1990s. After 1995 (see Figure 22) the Service and Professional industries headed upwards, while mining declined significantly.

The only bright light in terms of relatively high-wage service industry growth has been the increase in income from government employment. State and local government accounted for 65% of government jobs in 2000 (out of a total of 488).

#### Figure 27: Employment in Various Sectors, Custer County, ID: 2000.



Key findings: (See the complete profile of Custer County, ID at www.sonoran.org.)

- From 1970 to 2000, the population of Custer County grew by 45%, an increase of 1,346 people. The county has not recovered from the boom and bust in mining in the 1980s, when the population reached 5,500. By 2000, there were 4,338 people in the county.
- From 1980 to 2000, the Services and Professional sector contributed over 827 new jobs, but only \$9 million, in real terms, in new personal income. This indicates that most service jobs in the county are low paying.
- In 2000, employment in Services and Professional accounted for more than \$21 million in personal income. The largest type of service industry was Government (\$4.2 million), followed by Retail Trade (\$5 million).
- Almost half of all growth in net personal income in the last 30 years was from non-labor income, including dividends, interest, rent, and transfer payments. Age-related sources, such as retirement, disability and Medicare, accounted for 69% of transfer payments in 2000; another 8% was from welfare. (Welfare payments grew from 3% of transfer payments in 1970 to 8% of transfer payments in 2000.)
- In 2000, average earnings per job in Custer County were typical for non-metro county in Idaho --\$24,287. Earnings per job have grown in recent years, in large part due to an increase in federal employment (*i.e.*, Forest Service, Bureau of Land Management and other federal agencies).
- Traditional farming, ranching, and resource sectors play a relatively small economic role in Custer County. In 2000, personal income from the agricultural sector was \$3 million (3.3% of total); and manufacturing, which includes the wood products industry, was \$1 million (1.5% of total). Income earned from people employed in lumber and wood products manufacturing is approximately 44% of the manufacturing sector, and 1% of total personal income. Personal income from mining was \$7 million (6.9% of total); down from \$32 million in 1984 (36% of the total).
- The average annual unemployment rate of Custer County was 3.9% in 2001.

#### **Comparing Blaine, Butte, and Custer Counties**

Table 7 below compares the three counties, as well as Idaho and the non-metropolitan counties of Idaho, in terms of key performance statistics, from 1990 to 2000. The healthiest county, in terms of growth and the quality of growth, appears to be Blaine County. Average earnings per job have increased the most (67%), even though this county had an increase in both low-wage and high-wage service occupations.

The highest average earnings per job (\$50,441) are in Butte County, due almost entirley to the presence of INEEL. However, most of the people who work in Butte County do not live there, and presumably spend their paychecks outside the county. A huge opportunity exists for Butte County to capture these workers as year-round residents and consumers. For now at least, the reverse is happening; this is the only county of this region that lost poplation during the 1990s. Ironically, it is also losing high-wage service sectors, due largely to the rapid loss of business services.

The lowest performer, in terms of the growth of population, personal income, per capita income, average earnings per job, and unemployment rate in 2000 was Custer County. This county has the highest growth of non-labor income sources, proprietor's income, and farm earnings. It is a county that is largely poor, where many work for themselves, where farming and ranching are still a significant, though struggling, portion of the economy, and where non-labor income sources, such as retierment income, are increasingly important.

| Percent Change 1990 to 2000 (income in real dollars) | Blaine<br>County | Butte<br>County | Custer<br>County | Non-Metro<br>Idaho | Idaho    |
|--|------------------|-----------------|------------------|--------------------|----------|
| Population   | 38%              | -1%             | 4%               | 22%                | 28%      |
| Personal Income                                      | 76%              | 31%             | 20%              | 32%                | 46%      |
| Per Capita Income                                    | 27%              | 32%             | 16%              | 8%                 | 14%      |
| Non-Labor Income                                     | 67%              | 31%             | 40%              | 37%                | 42%      |
| Proprietors Income                                   | 63%              | -34%            | 71%              | 1%                 | 18%      |
| Farm Earnings  | -24%             | -55%            | 76%              | -26%               | -2.5%    |
| Average Earnings per Job                             | 67%              | 34%             | 24%              | 24%                | 36%      |
| Low-Wage Services*                                   | 382%             | 40%             | 41%              | 49%                | 48%      |
| High-Wage Services                                   | 131%             | -31%            | 25%              | 40%                | 51%      |
|  |                  |                 |                  |                    |          |
| Average Earnings Per Job in 2000                     | \$31,414         | \$50,441        | \$24,287         | \$24,809           | \$28,103 |
| Average Unemployment<br>Rate 1990 to 2000            | 4.7%             | 5.0%            | 8%               | NA                 | 5.6%     |

| Table 7: Key Comparitive Statistics for Blaine, Butte and Custer Counti | les, Il | D |
|---|---------|---|
|---|---------|---|

\* Low wage services are defined here as: Consumer Services (Hotels and Lodging, Personal Services, Household Services, Repair Services, Motion Pictures, Amusement and Recreation). Relatively high-wages services are defined as Producer Services (Finance, Insurance, and Real Estate, Legal Services, Business Services, Engineering and Management Services, and Membership Organizations) and Government Services (Federal Civilian, Military, State and Local). Social Services were left off this table because it includes Health Services and Educational Services, which are a mix of high-wage and low-wage services. All data in this table from the U.S. Department of Commerce, and complied by the Economic Profile System (see Appendix). Non-labor income is defined as dividends, interest and rent, and transfer payments.

#### Tourism in Blaine, Butte and Custer Counties

Tourism is not a category in the Standard Industrial Classification system used by the U.S. Department of Commerce. Because of this, no industry specific information exists for these counties on employment and income trends. Certain industries, such as Hotels and Lodging, can be used as proxies. For example, Table 4 shows that for Blaine County the Hotels and Lodging sector contributed more than \$26.5 million in personal income. (Growth comparisons were not possible due to restrictions the U.S. Department of Commerce placed on the release of 1990 data for this industry.) Another tourism related industry – Amusement and Recreation – contributed more than \$34 million to Blaine County's economy in terms of personal income. In Butte County, personal income earned in Hotels and Lodging declined from 1990 to 2000; and in Custer County it grew slightly, with more than \$136 million in new income.

Another way to track tourism trends is to investigate tax receipts from tourist-related activities. Figure 28 shows the tax recipts for lodging in the three counties from 1993 to 2002. For Blaine County tourism is a significantly larger industry, growing steadily throughout the 1990s, with a sharp decline in 2002. Figure 29 illustrates the cyclical nature of tourism.



Figure 29: 2002 Lodging Sales Tax Receipts, Blaine, Butte and Custer Counties, ID, by Month.



Source: Idaho State Tax Commission

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Note: The source for the following pages is the U.S. Bureau of the Census.

#### Ketchum (Blaine County)

Population: 3,003

Migration33% of the residents of Ketchum lived in a different county in 1995.<br/>84.5% of residents were born in a different state.

Figure 30: Income Distribution in Ketchum, ID, 2000.



31% of households in Ketchum earned less than \$30,000; 20% of households earned more than \$100,000; and the income bracket with the largest number of households is "\$75,000 to \$99,999" (includes full- and part-time workers).

9% of individuals in Ketchum had income that was below the poverty line in 1999.

Table 8: Educational Attainment in Ketchum, ID, 2000.

| Educational Attainment     | Number | %   |
|----------------------------|--------|-----|
| Less than high school      | 109    | 5%  |
| High school                | 283    | 12% |
| Some college               | 607    | 26% |
| Associate degree           | 117    | 5%  |
| Bachelor's degree          | 878    | 38% |
| Master's degree            | 184    | 8%  |
| Professional school degree | 119    | 5%  |
| Doctoral degree            | 21     | 1%  |
| Total                      | 2,318  |     |

52% of residents 25 year and older have a college degree or greater.

Universe: Population 25 years and over

Table 9: Housing Affordability in Ketchum, ID, 2000.

#### Owner Occupied Housing Affordability

| Median value   | \$ 503,300 |
|--|------------|
| % of median income necessary to buy the median house   | 48%        |
| Income required to qualify for the median house  | \$ 142,217 |
| Housing Affordability Index: (100 or above means that the median family can afford the median house.)* | 52         |

The housing affordability index is 52, meaning that the median family income cannot afford the median house.

#### Hailey (Blaine County)

Population: 6,200

Migration32% of the residents of Hailey lived in a different county in 1995.<br/>68% of residents were born in a different state.

Figure 31: Income Distribution in Hailey, ID, 2000.



29% of households in Hailey earned less than \$30,000; 9% of households earned more than \$100,000; the income bracket with the largest number of households is "\$60,000 to \$74,999".

6% of individuals in Hailey, ID had income that was below the poverty line in 1999.

Table 10: Educational Attainment in Hailey, ID, 2000.

| Educational Attainment     | Number | %   |
|----------------------------|--------|-----|
| Less than high school      | 389    | 10% |
| High school                | 720    | 18% |
| Some college               | 1,039  | 26% |
| Associate degree           | 271    | 7%  |
| Bachelor's degree          | 1,167  | 29% |
| Master's degree            | 306    | 8%  |
| Professional school degree | 69     | 2%  |
| Doctoral degree            | 17     | 0%  |
| Total IS                   | 3,978  |     |

39% of residents 25 years and older have a college degree or greater.

Universe: Population 25 years and over

Table 11: Housing Affordability in Hailey, ID, 2000.

| Owner Occupied Housing Affordabi | lity |
|----------------------------------|------|
|----------------------------------|------|

| Median value  | \$<br>200,300 |
|---|---------------|
| % of median income necessary to buy the median house      | 25%           |
| Income required to qualify for the median house           | \$<br>56,599  |
| Housing Affordability Index: (100 or above means that the |               |
| median family can afford the median house.)*              | 100           |

A housing affordability index of 100 suggests that the median family can just afford the median house.

#### Population: 1,026

#### Arco (Butte County)

Migration27% of the residents of Arco lived in a different county in 1995.44% of residents were born in a different state.

Figure 32: Income Distribution in Arco, ID, 2000.



57% of households in Arco earned less than \$30,000. 57% of households earned less than \$30,000. The income bracket with the largest number of households is "Less than \$10,000".

23% of individuals in Arco had income that was below the poverty line in 1999.

Table 12: Educational Attainment in Arco, ID, 2000.

| Educational Attainment     | Number | %   |
|----------------------------|--------|-----|
| Less than high school      | 163    | 24% |
| High school                | 249    | 36% |
| Some college               | 165    | 24% |
| Associate degree           | 27     | 4%  |
| Bachelor's degree          | 57     | 8%  |
| Master's degree            | 21     | 3%  |
| Professional school degree | 10     | 1%  |
| Doctoral degree            | -      | 0%  |
| Total                      | 692    |     |

13% of residents 25 years and older have a college degree or greater.

Table 13: Housing Affordability in Arco, ID, 2000.

| Owner Occupied Housing Affordability                      |    |        |
|---|----|--------|
| Median value  | \$ | 51,200 |
| % of median income necessary to buy the median house      |    | 10%    |
| Income required to qualify for the median house           | \$ | 14,468 |
| Housing Affordability Index: (100 or above means that the |    |        |
| median family can afford the median house.)*              |    | 240    |

The housing affordability index is 240, which suggests that the median family can readily afford the median house.

#### Population: 909

#### Challis (Custer County)

Migration25% of the residents of Challis lived in a different county in 1995.57% of residents were born in a different state.

Figure 33: Income Distribution in Challis, ID, 2000.



50% of households in Challis earned less than \$30,000. 1% of households earned more than \$100,000. The income bracket with the largest number of households is "Less than \$10,000".

13% of individuals in Challis had income that was below the poverty line in 1999.

Table 14: Educational Attainment in Challis, ID, 2000.

| Educational Attainment     | Number | %   |
|----------------------------|--------|-----|
| Less than high school      | 120    | 19% |
| High school                | 224    | 36% |
| Some college               | 145    | 23% |
| Associate degree           | 20     | 3%  |
| Bachelor's degree          | 95     | 15% |
| Master's degree            | 14     | 2%  |
| Professional school degree | 3      | 0%  |
| Doctoral degree            | 2      | 0%  |
| <b>Total</b>               | 623    |     |

18% of residents 25 years and older have a college degree or greater.

Universe: Population 25 years and over

Table 15: Housing Affordability in Challis, ID, 2000.

| Owner ( | Occupied | Housing | Affordability |
|---------|----------|---------|---------------|
|---------|----------|---------|---------------|

| Median value  | \$<br>73,500 |
|---|--------------|
| % of median income necessary to buy the median house      | 13%          |
| Income required to qualify for the median house           | \$<br>20,769 |
| Housing Affordability Index: (100 or above means that the |              |
| median family can afford the median house.)*              | 190          |

The housing affordability index is 190, which suggests that the median family can afford the median house.

#### Population: 566

#### Mackay (Custer County)

Migration28% of the residents of Mackay lived in a different county in 1995.40% of residents were born in a different state.



59% of households in Mackay earned less than \$30,000; 2% of households earned more than \$100,000; the income bracket with the largest number of households is "Less than \$10,000".

18% of individuals in Mackay had income that was below the poverty line in 1999.

Table 16: Educational Attainment in Mackay, ID, 2000.

| Educational Attainment     | Number | %   |
|----------------------------|--------|-----|
| Less than high school      | 59     | 14% |
| High school                | 186    | 45% |
| Some college               | 88     | 21% |
| Associate degree           | 18     | 4%  |
| Bachelor's degree          | 52     | 13% |
| Master's degree            | 10     | 2%  |
| Professional school degree | -      | 0%  |
| Doctoral degree            | 2      | 0%  |
| Total                      | 415    |     |

15% of residents 25 years and older have a college degree or greater.

Table 17: Housing Affordability in Mackay, ID, 2000.

| Owner Occupied Housing Affordability                      |    |        |
|---|----|--------|
| Median value  | \$ | 74,600 |
| % of median income necessary to buy the median house      | 1  | 17%    |
| Income required to qualify for the median house           | \$ | 21,080 |
| Housing Affordability Index: (100 or above means that the |    |        |
| median family can afford the median house.)*              |    | 150    |

A housing affordability index of 150 suggests that the median family can afford the median house.

#### Population: 100

#### Stanley (Custer County)

Migration39% of the residents of Mackay lived in a different county in 1995.<br/>78% of residents were born in a different state.

Figure 35: Income Distribution in Stanley, ID, 2000.



41% of households in Stanley earned less than \$30,000. 8% of households earned more than \$100,000. The income bracket with the largest number of households is "Less than \$10,000".

21% of individuals in Stanley had income that was below the poverty line in 1999.

Table 18: Educational Attainment in Stanley, ID, 2000.

| Educational Attainment     | Number | %   |
|----------------------------|--------|-----|
| Less than high school      | 2      | 3%  |
| High school                | 23     | 29% |
| Some college               | 30     | 38% |
| Associate degree           | 3      | 4%  |
| Bachelor's degree          | 18     | 23% |
| Master's degree            | 2      | 3%  |
| Professional school degree | -      | 0%  |
| Doctoral degree            | -      | 0%  |
| Total                      | 78     |     |

26% of residents 25 years and older have a college degree or greater.

Table 19: Housing Affordability in Stanley, ID, 2000.

| Owner Occupied Housing Affordability   |               |
|--|---------------|
| Median value   | \$<br>162,500 |
| % of median income necessary to buy the median house   | 25%           |
| ncome required to qualify for the median house   | \$<br>45,917  |
| Housing Affordability Index: (100 or above means that the median family can afford the median house.)* | 99            |

The housing affordability index is 99, which suggests that by a slim margin the median family can not afford the median house.

#### **DISCUSSION AND RECOMMENDATIONS**

#### **Challenges and Opportunities for Rural Development in the West**

One of the most thoughtful recent essays on the future of rural America comes from Karl Stauber, Executive Director of the Northwest Area Foundation.<sup>13</sup> He points out that what allowed rural America to grow and prosper in the past was its competitive advantage as the producer of low-cost food, timber and mineral products.

"By the 1890s, the frontier was largely gone and .... rural America went from defining America to supplying it.... [As a result] Rural America benefited from public investments in institutions designed to increase the flow of raw materials and efficiency of their production. Examples include subsidies to rail and water transportation, the opening of public lands to mining and logging, construction of massive irrigation projects for agriculture, development of rural electric and telephone systems, direct subsidy to farmers producing majors crops, and underwriting of public research and extension programs to benefit primarily farmers and ranchers."<sup>14</sup>

In an increasingly competitive global marketplace, rural America no longer has a competitive advantage as a low-cost producer of food, oil, gas, minerals, and timber. Even with the use of relatively cheap labor and ongoing subsidies, especially for agriculture, rural communities are finding it difficult to compete with the rest of the world – this is especially true of Custer County. Because of this, it is imperative for rural communities to define clearly their comparative advantage and invest in strategies that capitalize on the current strengths, rather than focus on what worked in the past. This point cannot be overemphasized: the game has changed and rural economies must adapt to these changes in order to be successful.

In recent decades, counties that have prospered in this new marketplace have some common characteristics: they are able to attract retirees and retirement income, have an economic base in manufacturing, protect scenic amenities, serve as regional trade centers, are close to metropolitan areas or have access to larger markets, and invest in human and social capital. Each of the counties profiled in this report has one or more of these elements. Several also have one foot planted firmly in the past, and are dependent on a single economic development strategy, such as heavy dependence on livestock grazing or the federal government.

In 1995, William Galtson and Karen Baehler published a comprehensive overview of rural development in the United States. After carefully reviewing the extensive literature on the challenges facing rural communities, they concluded that it is extremely important to know your own economy. All too often economic decisions are based on a dated and romantic view of the local economy – that is, on past rather than current opportunities. Glaston and Baehler also point out that traditional resource industries have matured and are generally investing in new technology instead of more employees. Because of this, they are not likely to be the source of many new jobs. Finally, Glaston and Baehler point out that new, better-paying jobs will be in sectors that are either competitive with or isolated from global pressures, and where rural America has a distinct advantage. These areas are: services, tourism, and retirement.<sup>15</sup>

<sup>&</sup>lt;sup>13</sup> Stauber, K.N. 2001. "Why Invest in Rural America – And How? A Critical Public Policy Question for the 21<sup>st</sup> Century." <u>Economic Review</u>. Second Quarter, 2001. Federal Reserve Bank of Kansas City.

<sup>&</sup>lt;sup>14</sup> Ibid., p. 40.

<sup>&</sup>lt;sup>15</sup> Galston William and Karen Baehler. 1995. <u>Rural Development in the United States: Connecting Theory, Practice, and</u> <u>Possibilities</u>. Island Press, Washington, DC.

#### **The Importance of Environmental Amenities**

In this report, we have made an effort to distinguish between various types of service industry growth, differentiating between those that are normally low-wage versus high-wage. An important aspect of many relatively high-wage Producer Service jobs, which include engineering, architecture, and business services, is that they are "footloose" – they can be located away from metropolitan areas, and often are removed from the final stages of production. In other words, an engineer can live and work in rural Idaho while the product rolls off the assembly line in New Jersey.



Photo: Justin Hayes

"With advancements in transportation and telecommunication technologies, the cost of doing business in rural areas is decreasing. Because of these technological advancements, certain types of businesses are virtually unconstrained in where they may locate, and several of these businesses have chosen rural settings."

> Nelson, P.B. 1997. "The Missing Link. Sources of Income and Recent Population Growth in the Nonmetropolitan West". Association of American Geographers Meeting, Fort Worth, TX. April 1997.

As a result of the footloose nature of some businesses, communities that have the right combination of amenities, lifestyle, and transportation infrastructure, are seeing the arrival of a type of entrepreneur who is often educated, well-traveled, and globally connected. In 1994, Bill Beyers, a geographer at the University of Washington, conducted a survey of owners of Producer Service businesses and found that:

"[T]hese businesses are strongly attracted to rural America due to quality of life considerations .... [They] tend to have high revenues per employee and exhibit a tendency to be fairly reliant on information technologies to deliver their work, but also have a strong tendency to travel to their client's locations in the process of delivering their services. Hence, people working in this segment of the producer services tend to be fairly mobile, pursuing relatively specialized business niches."

Beyers, W.B. 1994. "Producer Services in Urban and rural Areas: Contrasts in Competitiveness, Trade, and Development." 41<sup>st</sup> North American Regional Science Meeting. Niagara Falls, Ontario, November 1994.

In the past, economists used to describe the process of development as "jobs first – then migration." The popular belief was that the opening of a factory, a mine, or a lumber mill would create a demand for labor, and people would migrate into an area to fill job openings. Today much of the population growth can be explained instead by "migration first – then jobs," where people first decide where they want to live, and then either look for a job, create jobs for themselves, or live off investment and retirement income.

Are amenities enough to attract entrepreneurs and the high-wage components of the service sector? As Bill Beyers discovered in his survey of "footloose" owners of Producer Services, quality of life and amenities are important. But so is access to travel infrastructure. The importance of travel infrastructure relative to environmental amenities was recently studied by Ray Rasker and Andy Hansen of Montana State University.<sup>16</sup> Using the states of Idaho, Montana, and Wyoming, and the Greater Yellowstone Region as examples, statistical tests were conducted to test the relative influence of physical, ecological, amenity, social and economic variables on rural population growth. The results indicate that physical, ecological, and amenity variables are necessary conditions for growth, but they are not sufficient. An educated workforce and access to larger markets via air travel are also important.

On a state-wide level ecological and amenity variables account for 25 to 30 percent of the variability in population growth. Therefore, the article concluded, any effort at economic development should include a strategy to protect environmental assets (*e.g.*, through wilderness designation, creation of parks, and monuments). In the 20 counties of Greater Yellowstone, ecological and amenity variables accounted for 50 to 60 percent of variation in population growth, with the most important being the amount of public land in the county protected from development. However, even though amenities were determined to be a significant determinant of growth, they are not by themselves sufficient. The education of the workforce and proximity (within one hour's drive) of an airport with daily commercial service to metropolitan areas was equally important. Significantly, it was also discovered that the presence of an airport is closely correlated to the presence of a significant number of jobs in the higher-wage Producer Services.

#### Winners and Losers

One reason individuals and communities may resist the transition from historical enterprises to newer forms of economic activity is that the skills necessary to succeed in one arena may not be adequate to succeed in another. The result is that many rural residents do not see change as an opportunity, but as a threat. And, in fact, there are winners and losers in any transition. However, it would be a mistake to look backward or hold out hope of a return to a golden age whose time has passed, instead of taking a sober look at new realities and the skills necessary to succeed today.

The demographics of rural America tell a sobering tale. Not surprisingly, where older enterprises are failing and no new businesses are replacing them, there is a net population out migration, especially among youth, leaving an aging population ill equipped to adapt. In other areas, where there are the amenities or access to larger markets that allow for new businesses to take root, some long-time residents leave while new in-migrants replace them and develop as well as benefit from emerging markets. These dynamics play themselves out differently across the Central Idaho geography. In Hailey, for example, where there has been tremendous growth, only 67% of residents were born in Idaho, while 32% of residents lived in a different county just five years earlier. In Custer County, every demographic under the age of 45 lost population in the last 10 years, while every age group over 45 years old gained in number.

One of the key determinants of success, and it has become increasingly important, is education. As lowskill, living-wage opportunities shrink, higher educational attainment is becoming the most secure route to better paying jobs. Unfortunately, many rural communities either don't have the resources to support competitive education or fail to prioritize and support local educational institutions. Unable to find employment in shrinking traditional sectors, many youth are finding they have to leave the community and migrate to urban areas to find jobs, but here too they face the prospect of accepting lower pay levels or enrolling in remedial or continuing education programs that will allow them to develop competitive skills. In Mackay, for example, only 2% of the adult population holds an advanced degree, while the single largest income bracket by household (53 households) earns less that \$10,000 annually. Education will be one key to success in the economic future of communities like Mackay.

<sup>&</sup>lt;sup>16</sup> Rasker R. and A. Hansen. 2000. "Natural Amenities and Population Growth in the Greater Yellowstone Region." *Human* <u>Ecology Review</u>. Vol. 7(2): 30-40. Hansen, A.J, R. Rasker, B., Maxwell, J.L. Rotella, J.D. Johnson, A. Wright Parmenter, U. Langer, W. B. Cohen, R. L. Lawrence, and M. P.V. Kraska. 2002. "Ecological Causes and Consequences of Demographic Change in the New West." <u>BioScience</u>. Vol. 52(2): 151-162.

#### The Role of Public Lands in the Local Economy

In rural Idaho opportunities for development are to found in services, manufacturing, tourism, and businesses associated with serving the needs of an aging population (*e.g.*, health care, retail trade) and those who move to rural areas for quality of life reasons (*e.g.*, new home construction, telecommunications, education, recreation, travel). Because of efficiencies in production, global competition, increased scrutiny on the part of the public, and changing societal values, opportunities for the use of public lands for mining and timber – two relatively high-wage sectors – are limited. These trends raise the question of the future economic role of public lands.

In 1997, Richard Haynes and Amy Horne studied the role of public lands overseen by the BLM and Forest Service in the Interior Columbia Basin, which includes Central Idaho.<sup>17</sup> Figure 36 shows that by far the largest value placed on public lands is its "existence" value. That is, people value public lands for their intrinsic qualities, such as scenery and aesthetics, more than all use values, including recreation.

Figure 36: Contribution of Activities to the Total Value of Goods and Services from Federal Lands, Central Idaho Mountains, 1995.



Public lands have historically played an important role for rural communities, primarily as a depository for raw materials, including minerals, forest products, and rangelands for grazing. Today, the economic role of public lands has shifted, with more emphasis on the amenity values. Scenery, wildlife habitat, free-flowing streams and opportunities for recreation today have significant value as part of the setting that attracts and retains entrepreneurs and their businesses, as well as retirees and tourists.

Surveys that have been conducted of residents who moved to wilderness counties have shown that the majority did not move for economic reasons. This is the new theory of rural development: "migration first – then jobs." For example, Gundars Rudzitis, of the University of Idaho, discovered that only 17% of migrants to wilderness counties (defined as counties with a congressionally designated wilderness) gave employment as their reason to move.<sup>18</sup> Of those interviewed, 72% said the actual presence of wilderness was a major factor for moving. Other studies have shown that economic growth in rural areas grew faster for counties that had a high portion of their land base in protected status.<sup>19</sup> In sum, today there is a much more valuable economic role for public lands: as a setting for business growth, including amenity migrants, retirees, tourists and, most importantly, for local residents making a transition to higher-paying service-related occupations.

<sup>&</sup>lt;sup>17</sup> Haynes, R.W. and A.L. Horne. 1997. "Chapter 6: Economic Assessment of the Basin." In An Assessment of Ecosystem Components in the Columbia River Basin and Portions of the Klamath and Great Basins, Volume IV. US. Department of Agriculture, Forest Service, Pacific Northwest Research Station, Portland.

<sup>&</sup>lt;sup>18</sup> Rudzitis, G. 1995. <u>Wilderness and the Changing American West</u>. John Wiley & Sons, N.Y.

<sup>&</sup>lt;sup>19</sup> See, for example, Rasker, R. and A. Hackman. 1996. "Economic Development and the Conservation of Large Carnivores." <u>Conservation Biology</u>. Vol. 10(4):1-13.

#### The Role of Airports in Rural Development

Several studies have shown that proximity to an airport with daily commercial travel to larger cities is closely correlated to the presence of a significant number of jobs in the higher-wage services industries.<sup>20</sup> These are referred to in this report as Producer Services, and includes such occupations as engineering and management services, architecture, pharmaceutical testing, software development, accounting, finance, real estate, and graphic design. Shaded areas in the map below represent a one-hour driving time to the nearest airport with daily commercial airline service to major metropolitan areas and/or airline hubs. Driving times are based on current allowable speed limits on existing roads.





Counties with ready access to airports with daily commercial service to major hubs (*i.e.*, Boise, Salt Lake, Seattle, Portland) are going to have more luck attracting high-wage services than those without this form of infrastructure. This explains, in part, why higher wage service jobs exist in Ketchum, but not in Challis.

<sup>&</sup>lt;sup>20</sup> Rasker R. and A, Hansen. 2000. "Natural Amenities and Population Growth in the Greater Yellowstone Region." <u>Human Ecology Review</u>. Vol. 7(2): 30-40. Hansen, A.J, R. Rasker, B, Maxwell, J.L. Rotella, J.D. Johnson, A. Wright Parmenter, U. Langer, W. B. Cohen, R. L. Lawrence, and M. P.V. Kraska. 2002. "Ecological Causes and Consequences of Demographic Change in the New West." <u>BioScience.</u> Vol. 52(2): 151-162

#### **Recommendations for Central Idaho**

#### Blaine County – from tourist destination to diverse, urban style "amenity" economy.

There is no doubt that tourism plays a significant role in Blaine County. However, the very things that attract tourists – scenery, recreational opportunities, an airport – are the very assets that entrepreneurs look for when deciding to relocate their business to a rural setting. In a study of the northern portion of the Greater Yellowstone region, surveys of business owners reveal that three out of five came to the area first as tourists.<sup>21</sup> In Blaine County, the same is likely. With the presence on an airport that provides daily access to larger markets, the county has been able to make a transition from tourism to an economy that is much more diverse and dynamic – in effect, an urban economy in a rural setting.

As a consequence, Blaine County, and in particular the communities of Ketchum and Hailey, show several characteristics typical of more urban economies, including the presence of relatively high-wage Producer Service jobs. Education rates are high: 39% of residents in Hailey, and 52% in Ketchum, have college degrees. In Hailey, the income bracket with the largest numbers of households is the "66,000 to 74,999" category. In Ketchum, the largest bracket is the "75,000 to 99,999" category. Only 6% of individuals in Hailey, and 9% of individuals in Ketchum, live below the poverty level.

One consequence of a heavy emphasis on tourism, business services, and "knowledge-based" industries is that it makes towns like these highly desirable places to live, which in turn drives up real estate prices. In Ketchum, the housing affordability index is 52 (an index of 100 indicates the average family can afford the average home). As in Jackson, Wyoming, and Aspen, Colorado, many local workers, particularly on the low end of the services wage scale, have to live in neighboring "bedroom" communities. Hailey and other communities down valley serve that role for Ketchum and Sun Valley. The housing affordability index in Hailey is 100, which means the average family can just afford the average home.

For Blaine County the challenge is ensuring that there is enough affordable housing for low-wage service workers. Given the rapid growth, Blaine County must also work to protect private lands, including working agricultural lands, from residential and commercial sprawl. These lands are an important part of the physical and cultural landscape that attracts and retains entrepreneurs.

#### **Butte County** – *High wages, heavy reliance on the federal government, but with a potential for attracting high-wage residents.*

In some ways Butte County is fortunate, and in others it is apparent that the county has not been able to capitalize on some important opportunities. Business income from farming and ranching has been declining for the last three decades, mining employment is virtually non-existent, and there has been no growth in tourism-related businesses. Yet, the county is the home to one of the country's world-class research facilities.

As the home of INEEL, Butte County boasts the highest average earnings per job in central Idaho, at a little more than \$50,000. Yet most of the workers at INEEL do not live in Butte County, and instead commute from Idaho Falls and surrounding communities. Of the three counties, Butte County has the most affordable housing. For example, in Arco the mean home value is \$51,200, while the median family income is \$34,688. The income required to qualify for a median home is only \$14,468 (assuming 20% down).

<sup>&</sup>lt;sup>21</sup> Snepenger D., J. Johnson and R. Rasker. 1994. "Travel Stimulated Entrepreneurial Migration." <u>Journal of Travel Research</u>. Vol. 34(1): 40-44.

Given that wilderness counties are a big draw for migrants, and that more and more people are choosing to live in rural areas, an opportunity for Butte County is to capitalize on its setting, invest in education, transportation, and telecommunications, and attract INEEL workers to live in the county full-time. Even if INEEL were to lay off workers, the needed infrastructure and support industries that will have been built in the meantime will help to diversify the county beyond this single-industry dependence.

#### **Custer County** – From boom and bust of resource development to... retirement and tourism destination?

Custer County has in the past been heavily dependent on mining (molybdenum and gold). Long-term trends in the growth or decline of industries (Figures 23 and 24) show that other sectors in the economy, such as construction and service-related occupations, fluctuate up and down with mining employment. This relationship – where mining appeared to be the main driving force – came to an end in the mid-1990s. Even though there were significant declines in mining employment and income throughout the 1990s, employment and personal income in construction and service-related occupations continued to grow. Non-labor income sources also grew, even while the mining industry was in decline. Transfer payments were part of this growth: 8% were attributable to income maintenance benefits, while 69% were retirement related.

This is a good news/bad news story. It demonstrates that the fortunes of the county are no longer strictly hitched to the well-being of the mining industry: even when mining is in decline, other sectors can grow. Uncoupling the economy from the boom-and-bust periods of mining is good news. It demonstrates an ability to diversify beyond single industry dependence and volatility.

The bad news is this: decades of heavy dependence on mining has left the county impoverished. For example, according to the 2000 Census, 13% of individuals in Challis live below the poverty line, and the income bracket with the largest number of households is "less that \$10,000." The statistics for Mackay are similar.

One area where Custer County has a competitive advantage is housing prices, particularly in Challis and Mackay (where the housing affordability index is 190 and 150, respectively). One strategy for these communities is to attract "equity refugees," people with fixed income, often at retirement age, who decide to cash in their equity, most often a home in a larger city, and move to the country for a quieter, simpler, and cheaper lifestyle. Communities throughout the rural West have taken advantage of this trend in an aging population to develop assisting living centers as one way to draw in-migrants, who will spend their money locally.

There is some evidence that this trend may already be underway in Custer County: non-labor income sources, including money earned from investments and retirement, account for 49% of the real growth in personal income in the last 30 years, over three times the income from agriculture, mining, and manufacturing, combined. In other words, the largest source of income in Custer County is the mailbox.

The federal government is a steady source of new jobs and employment income, particularly in land management agencies such as the Bureau of Land Management and Forest Service. The establishment of a new Wilderness area, and the increase in notoriety and recreation it would attract, creates the opportunity to expand this sector. Tourism could expand as well, although attention needs to be devoted to sustainable tourism. It's important to consider the difference between low-volume, high-wage occupations such as guiding and outfitting, and high-volume, low-wage occupations such as motel maids and tour bus operators.

Like Butte County, the towns of Custer County, which are in close proximity to INEEL, can also capitalize on their amenities as a way to attract and retain year-round residents who works at INEEL.

In the last decade a significant decline was seen in personal income associated with the loss of employment in relatively high-wage service occupations, primarily business and engineering and management services. Much of this was associated with mining. There is now an opportunity to attract new business and expand the employment base, but most likely in small enterprises made up of people seeking quality of life.

Attractive rural communities with environmental amenties, strong educational insitutions, infrastructure such as airports that allow for access to larger markets, and a demonstrated commitment to diversify beyond the boom-and-bust of resource dependency can attract and retain "footloose" entrepreneurs, many of them in high wage sectors. Custer County might benefit from a regional educational institution, such as a technological or vocational school, that would boost educational levels and offer job retraining opportunities to existing residents.

#### **NAMMARY**

Central Idaho is a diverse region and will require different strategies for each community to succeed. It is also a region linked to a common geography, and as such, shares common lessons and opportunities. Surely the most striking similarity is proximity to a world-class landscape that, if treated properly, can yield benefits for this and future generations.

Blaine County has capitalized on its environmental and recreational amenities, and as a result has become a boom county and a playground for the rich. Even though it has grown beyond the label of a "resort community" and attracted a variety of high-wage industries whose presence has more to do with lifestyle than tourism, it also has high housing costs and faces increasing pressure on the very resources that make the county attractive.

Butte County houses the Idaho National Environmental Engineering Laboratory (INEEL), which employs scientists and others in high-wage occupations. However, few of the workers care to live in Butte County, and others in high-wage occupations. However, few of the workers care to live in Butte County, workers to stay year-round, if it can demonstrate that it has what it takes to attract knowledge-based workers: great educational facilities, a world-class landscape, and infrastructure, such as high-speed internet access.

Custer County is a more typical rural county, with high historical dependence on agriculture, especially livestock, and mining. Sadly, the past mining booms have left this county impoverished, and many of the miners have left the area. Regardless of whether mining returns, it is clear that Custer County needs to protect its unique quality of life, and invest for the future, including the opportunity to attract retirees, tourists, and footloose entrepreneurs seeking a rural lifestyle.

Finally, it is worth remembering that an important advantage of rural communities has less to do with economics than people. While the rural West is often defined by its scenery, the friendliness of its people and 'can-do' attitude of residents who have decided to make Central Idaho their home should not be overlooked as advantages in coping with the current economic transition.

The Sonoran Institute hopes that this report helps to stimulate informed discussion on the future of the local economy, the relative importance of environmental amenities, and the importance of working together to achieve common goals.

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#### **APPENDIX -- About the Economic Profile System**

The Economic Profile System (EPS) is a *free* software package that allows the user to automatically and efficiently produce a detailed socioeconomic profile at the community, county or multi-county level, using the spreadsheet program Microsoft Excel. The profile contains tables and figures that illustrate long-term trends in population; employment and personal income by industry; average earnings; business development; retirement and other non-labor income; commuting patterns; and agriculture.



Above all, EPS is a tool for engaging the community in a meaningful and fact-driven discussion on the economy, and the relationship between a healthy environment and development. EPS, databases for the entire West, the EPS User's Manual, and a PowerPoint demonstration of EPS training programs is available at <u>www.sonoran.org</u>

The Economic Profile System was developed jointly by the Sonoran Institute and the Bureau of Land Management.

See www.sonoran.org for detailed copies of profiles, produced using the Economic Profile System, for

- o The United States
- o The Rocky Mountain Region
- o Idaho
- o Non-Metro Idaho
- o Blaine, Butte, Custer Counties, Idaho
- o The Communities of Ketchum, Hailey, Challis, Mackay, Stanley, and Arco.

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