Economic Impact of Campground Sites

Prepared for:

Yankton Thrive

Authored by:
Jared McEntaffer, PhD
CEO

DAKOTA INSTITUTE

Dakota Institute for Business and Economic Analysis
100 S Spring Ave Ste 205
Sioux Falls SD, 57104
dakotainstitute.org

Introduction

Yankton is a thriving community located along the Missouri River in Southeastern South Dakota. With a population of 15,411 in the 2020 Census, Yankton is the 7th largest community in the state and serves as regional economic hub for the surrounding area. Yankton is also a major tourist destination with many outdoor recreational amenities. In response to long-term growth in Yankton's tourism industry, several private campgrounds have been developed that cater to tourists, and especially tourists with RVs. These campgrounds help attract additional tourists and grow the local economy. This brief report explores the potential economic impact of these campsites on the Yankton economy.

Background

We estimated the campsite economic impacts based on two factors, (1) the lot rent paid by visitors, and (2) visitor spending.

Yankton Thrive provided background information on the number of RV campsites in Yankton and average site fees. Based on this information and additional research, we estimated there were currently 855 RV campsites, and the average rental rate was $2,500 per year. We assumed that all sites are rented during the year so the total "lot rent" paid during the year was $2,137,500. I allocated this spending to the real estate sector in IMPLAN to estimate the impact of this spending.

The next step was to estimate the economic impact of visitor spending. Based on information provided by Yankton Thrive, we estimated campsites were at roughly 45% capacity during most weekends and were at 100% capacity during holiday weekends. We focused on a Memorial Day to Labor Day time frame which included 13 regular weekends at 45% capacity and 3 holiday weekends at 100% capacity. We assumed 2 days of stay for regular weekends and 3 days of stay for holiday weekends. Also based on feedback from Yankton Thrive, we assumed the typical family contained 3 people so the total visitors on a regular weekend was 1,154 people and 2,565 on holiday weekends.

Finally, the economic impact from visitor spending depends on the average daily spending of visitors. We conducted a literature review to estimate average daily spending using estimates from previous studies. We identified similar studies of tourist spending at campgrounds in Minnesota, Arizona, and California. We combined the average daily spending in these studies with similar estimates from the US Corp of Engineers regarding average daily spending for visitors to the Lewis and Clark Reservoir. Based on this work we estimated average visitor spending at $15 per person, per day. In our economic impact model, we allocated that spending at 45% to gas stations, 30% to restaurants, 15% to grocery stores, and the remaining 10% to retail spending.

Results

The tables below report the findings of our economic impact analysis. The findings should be considered approximate and should not be used as the sole source of information to guide policy making decisions at the local level. Additional work would be necessary to develop better estimates on campground usage and visitor spending in order to estimate more accurate impact estimates.

Based on the data and assumptions summarized above, I estimate the campgrounds could support

- 23 jobs in the Yankton community,
- $827,329 in labor income,
- $1,657,960 in Value Added, and
- $3,873,809 in overall economic activity annually

Economic Impact Summary

Impact Type	Employment	Labor Income	Value Added	Economic Output
Direct	15	$451,971	$949,429	$2,467,080
Indirect	6	$262,179	$496,009	$1,039,574
Induced	2	$113,242	$212,522	$367,155
Total	23	$827,392	$1,657,960	$3,873,809

The campgrounds also support the local economy by generating tax revenues that help support local and county services. Importantly this analysis does not explore the additional county tax revenues generated when the campgrounds caused land to shift from an Ag to Commercial purposes and were therefore assessed at a higher rate.

Based on the data and assumptions summarized above, I estimate the annual tax impacts of the campgrounds and visitor spending are

- $68,375 county and sub-county taxes, including an estimated $51,410 in property taxes,
- $73,802 in state sales and use taxes, and
- $142,177 in both county and state taxes

Tax Impact Summary

Impact Type	County	State	Federal	Total
Direct	$44,991	$48,305	$70,868	$164,165
Indirect	$13,843	$15,271	$47,917	$77,030
Induced	$9,541	$10,226	$20,239	$40,005
Total	$68,375	$73,802	$139,024	$281,200

Notes on Economic Impact Estimation

The Dakota Institute used IMPLAN to estimate the economic impact results presented above. IMPLAN is a leader in input-output modeling and allows for high-quality and credible estimation of industry impacts at both the state and county level.

This analysis uses the term "impact" to align with common terminology, but the findings presented in this report more accurately represent the economic "contribution" rather than an economic "impact". An economic contribution analysis estimates the economic value of a firm or industry that is already operating within a region. In contrast, an economic impact analysis estimates the economic value of *new* or *future* events not already present in the region. The distinction is not always made, especially in business and policy communities. Therefore, this summary will use the phrase economic impact in favor of the technically more accurate, but less commonly used, economic contribution.

There are three primary types of economic impacts or contributions.

- **Employment or Jobs —** Employment impacts are estimates of total jobs created. The results are not an estimate of full-time equivalents or even full-time jobs. Both full- and part-time jobs are treated equally.
- **Labor income —** Labor income captures the monies paid to employees as compensation and the net profits paid to business owners. The majority of labor income is captured by wage and salary payments, but also includes non-wage benefits such as health insurance or retirement contributions.
- **Economic or Total Output —** Total output, is the total value of industrial production during the calendar year. It includes the value of intermediate goods (e.g. supplies, materials, and equipment) in addition to the value of final goods (e.g. restaurant meals). In most cases total output impacts are simply referred to as the economic impact of an event or organization.

In addition to differentiating between three common types of impact, economists also decompose these impacts across three distinct levels of effect: (1) direct, (2) indirect, and (3) induced. The total impact is the sum of all direct, indirect, and induced impacts. A simple formula can help explain the relationship between the three levels of economic impact.

$$\textit{Direct Impact} + \textit{Indirect Impact} + \textit{Induced Impact} = \textit{Total Impact}$$

- **Direct** — Direct impacts represent the annual employment and spending of the individual industry or firm being studied. In the current study, the direct impacts represent visitor spending and income received by campground owners.
- **Indirect** — All firms purchase input goods and services from outside firms. When the direct firm or industry makes these purchases, it starts a second round of spending that spreads into the wider economy via interfirm linkages. This includes spending on services by campground owners and businesses in the tourism sector that sell goods and services to visitors.
- **Induced** — The third round of economic activity occurs when workers in the direct and indirect industries spend their labor earnings on goods and services.