GROWTH BEGETS GROWTH:
JACKSON HOLE'S EVOLVING TAXABLE ECONOMY IN THE ERA OF COVID-19

Foreword

In mid-March, 2020, the COVID-19 pandemic prematurely ended Jackson Hole's 2019-2020 ski season. About a month later, I ran an on-line survey asking respondents to predict the fate of the community's economy for the rest of the year.

Pre-pandemic, Jackson Hole's taxable sales economy enjoyed a long period of growth, but the survey's 857 respondents didn't see that lasting. Instead, the consensus view was that things were going to be bleak for many months. Collectively, the respondents felt that by autumn the economy would slowly be improving, but things would never fully recover to where they had been.

The survey's results were so compelling that I repeated it in May and June. In May, respondents were more pessimistic than in April, envisioning declines ranging from -30% to -75% instead of the previous month's less-gloomy -20% to -60%.

Interestingly, by June people were feeling much better about things – still anticipating a drop from 2019, but seeing both short- and long-term declines only in the -20% range.

As it turned out, respondents were correct in predicting things would begin to improve by the fall. However, they proved to be overly pessimistic, for reality turned out to be far better than respondents feared: During the nine "pure pandemic" months of April-December, Teton County's taxable sales were down only 7% from the same nine months in 2019. Perhaps most surprisingly, during the fourth quarter of 2020, taxable sales were actually up – strongly up. This despite the fact that 2019's last quarter was pre-COVID, while 2020's occurred mid-pandemic. (Figure 1)

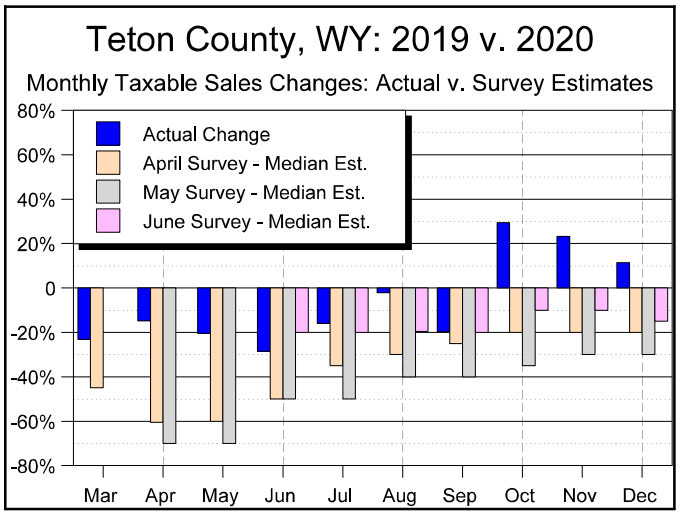

Figure 1

This performance raises the question: "Why did Jackson Hole's taxable economy fare so much better than was initially feared?" This paper is an attempt to answer that question. Bigger picture, the paper's goal is to better understand how the pandemic affected not just Jackson Hole's economy, but the larger community.

For all the misery and suffering and awfulness COVID-19 has caused, it has also given many people a chance to reflect on what truly matters to them. From that perspective, the pandemic's economic effects are far less important than its effects on our families, friends, and community. That noted, given the light the pandemic shone on Jackson Hole's dynamics, there's great value in better understanding what occurred over the past year.

One final note. When I conducted the April survey, I offered a prize to whoever best-predicted how Teton County's taxable economy would perform during 2020. With the necessary data finally in hand, the winner of a Bistro Dinner for two at the Bentwood Inn is Nick Ramkowsky of Jackson. His estimate of a nine percent decline was pretty darned close to the actual decline of seven percent.

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Introduction and Summary

In 2018, $1.54 billion worth of taxable goods were sold in Teton County, Wyoming.

In 2019, that figure rose 5.9 percent, to $1.66 billion.

Due to COVID-19-related disruptions, in 2020 that figure fell 5.8 percent, back to $1.54 billion.

To try to understand what happened, this paper examines the dynamics of Teton County's taxable sales, both before and since COVID-19 began to affect the economy in March 2020. Because tourism is responsible for a significant percentage of Teton County's taxable sales, this paper also looks at Jackson Hole's tourism patterns before and during the COVID era.

The data make three things evident:

1. Economically, the pandemic is behind us.
    a. From an overall community perspective, Jackson Hole's economy began rebounding from COVID-19 in mid-summer 2020. It should be fully recovered by the end of 2021, if not sooner.
2. The pandemic didn't fundamentally change Jackson Hole's economy as much as it exaggerated and, at least temporarily, accelerated pre-existing patterns.
3. Driving our current growth is growth itself.
    a. The growth engine of Teton County's taxable economy is no longer tourism, but growth itself. Specifically, even before the pandemic, Teton County's taxable sales growth was increasingly being driven by people of means buying and equipping homes in Jackson Hole. In 2020, that trend went into overdrive. As a result, even though tourism-related expenditures sharply declined in 2020, buy-and-equip-related expenditures boomed, leading to the much lower-than-expected drop in overall taxable sales.

Looking ahead over the next few years, it seems likely that the Tetons region will experience two simultaneous economic booms. One will be a continuation of 2020's robust real estate-cum-construction-cum-population boom; the other a resurgence in tourism, particularly in the summer.

Should this double-whammy occur, it will put extraordinary stress on the community's human and ecological systems. It may also mark a tipping point for Jackson Hole – economically, socially, and environmentally – by stressing, and possibly breaking, the region's extant mechanisms for coping with growth and change.

How might this happen? On the human side, surging growth in construction, population, and tourism will increasingly overload the region's physical infrastructure and social safety net. It also threatens to divide residents into "economic tribes" whose goals are incompatible with one another.

Environmentally, for an ecosystem already struggling to adapt to human development patterns and global warming, the additional pressures created by both tourism and population growth will put at further risk the ecosystem's overall health. Especially vulnerable will be the large reliant on large amounts of open space and unimpeded migration corridors.

To explore the extraordinary growth and change washing over the Tetons region, this paper uses a variety of readily-available economic indicators. Recognizing that data analysis is not everyone's cup of tea, however, this paper is divided into two parts. Part 1 offers the key points drawn from the data analysis; Part 2 the analysis itself.

This paper's isn't intended to solve the challenges facing Jackson Hole and the greater Tetons region. Instead, its goal is to help readers understand the economic forces underlying those challenges. It also complements two recent, related pieces – one focused on how Jackson Hole's local governments are funded, and the other on Jackson Hole's housing market:

- https://js4jh.com/wp-content/uploads/2021/01/Local-Government-Funding-January-2021-final.pdf
- https://cothrive.earth/wp-content/uploads/2021/02/February-2021-The-Implications-of-Jackson-Holes-2020-Real-Estate-Market-final.pdf

Informing all three papers is the belief that before a challenge can be meaningfully addressed or an opportunity successfully seized, the underlying situation must first be fully and accurately understood. In that spirit, and with the hope they will lead to a better understanding of a place that means so much to so many, these papers are offered to all those who care about the future of Jackson Hole and the greater Tetons region.

FOUR CONCLUSIONS; TWO CHALLENGES

Jackson Hole's pandemic-era economic data suggest four major conclusions informing two interrelated challenges.

The four conclusions are:

1. Economically, the pandemic is no longer a significant issue for Jackson Hole.
2. Growth is driving growth – not just in Jackson Hole, but across the greater Tetons region.
3. Economics is dividing Jackson Hole into three increasingly incompatible tribes.
4. Summer 2021 and beyond will place extraordinary growth-related strains on not just Jackson Hole's economy, but the community as a whole

Each conclusion is explored below, starting on Page 4.

Viewed broadly, these conclusions suggest that, going forward, the Jackson Hole community faces two major challenges. Both result from the extraordinary amount of location-neutral income flowing into Jackson Hole, particularly from investments and jobs than can be done anywhere.

Challenge #1 is maintaining the community's character in the face of a rapidly-evolving economy.

Jackson Hole's dude ranching industry emerged in the 1910s, its national park tourism industry in the 1950s, and its ski industry in the 1970s. As a result, over the course of a century the community's economy shifted from one based on ranching to one based on tourism. (Figure 2) [1]

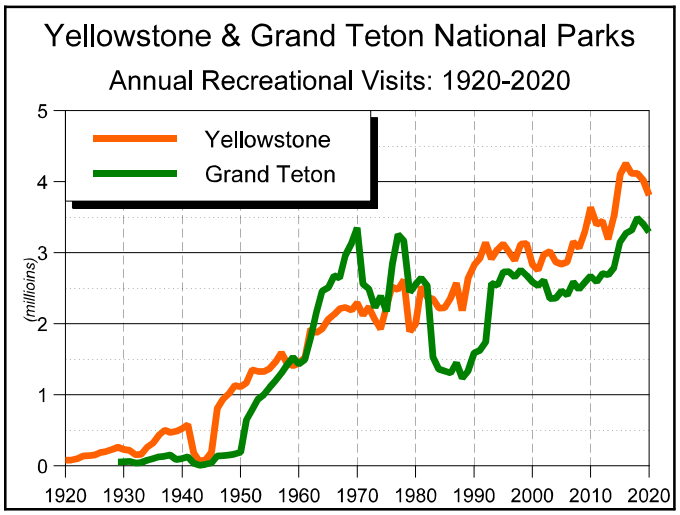

Figure 2

[1] Between 1960-1990, Grand Teton's visitation counts swung wildly because of changes in counting methodology, not actual visits. It is likely that Grand Teton's actual visitor growth was similar to Yellowstone's.

This century-long shift in the economy's foundation was gradual enough that it allowed residents to maintain a general consensus around the importance of tourism not just to the community's economy, but also to its culture. Over the past few decades, though, the economy has been undergoing a new, far more rapid shift – from tourism to location-neutral sources of income such as investments and, more recently, jobs that can be done remotely. In 2020, the COVID-19 pandemic kicked the pace of that shift into overdrive.

As a result, the cultural glue that tourism has long-provided the community is losing its cohesion. What, if anything, might take its place a question the community has yet to explore, much less answer.

Making things more daunting still is Challenge #2, the goal of which is best expressed by the Jackson/Teton County Comprehensive Plan's Vision: "Preserve and protect the area's ecosystem in order to ensure a healthy environment, community, and economy for current and future generations."

As straightforward as this vision may sound, the simple-but- grim fact is that since the Industrial Revolution began in the 1760s, no place on Earth has been able to simultaneously conserve its ecosystem and develop a successful industrial or post-industrial economy. Except, maybe, the Tetons portion of the Greater Yellowstone Ecosystem. As a result, 250 years of precedent suggest just how challenging it will be to achieve this vision.

Both of these challenges is explored below in greater depth, starting on Page 7.

Four Conclusions

1) The Pandemic in the Rearview Mirror

To be clear about what's truly important, the COVID-19 pandemic has taken a horrible toll on individuals, families, communities, the nation, and world. It's wreaked havoc on not just the economy, but our communities, our physical and mental health, and pretty much every aspect of life. Very little of this has been good, or even neutral.

It's also vital to note the pandemic is still raging. While the rapid growth in vaccinations is providing hope, the pandemic is still sickening and killing people, still disrupting lives, and still threatening to come roaring back should we prematurely let down our guard.

All of this noted and honored, Jackson Hole's overall economy hit its pandemic nadir in mid-summer, and by October was exceeding its 2019, pre-pandemic levels. Most notably, since bottoming out in September, taxable sales have regained 60% of their losses, and at current growth rates could be back at their pre-pandemic levels by mid-summer.

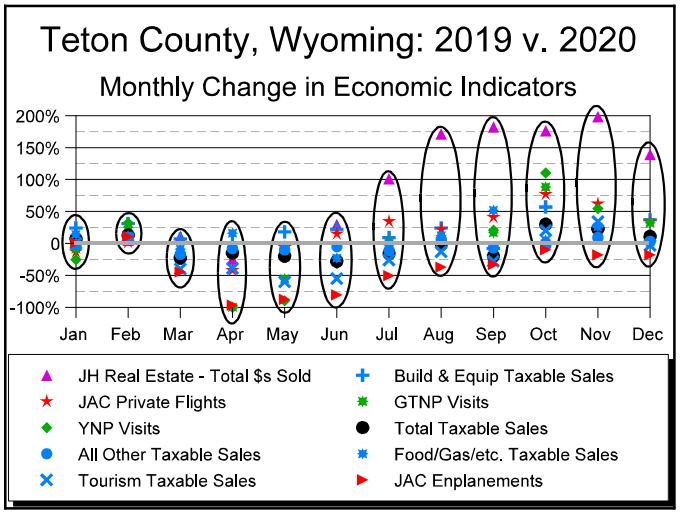

Figure 3

Figure 3 gets at how relatively short-lived the pandemic's effects proved to be. It combines a variety of economic and tourism

metrics, showing monthly changes in each between 2019 and 2020. By June every metric was improving; in each of 2020's three final months, essentially every metric save commercial airline enplanements was ahead of its 2019 level.

Critically, while Jackson Hole's collective economy is well on the way to recovery, many businesses and individuals are still struggling. At a minimum, they need our sympathy and concern; ideally they need our support.

What's striking, though, is how few of Jackson Hole's tourism-related businesses have gone out of business in the past year. Have some closed? Yes. But more than would normally go out of business in a typical year? It doesn't seem likely. Which is surprising given the huge hit Tourism-related businesses took in the summer of 2020: During the four summer months of June-September, their collective sales were down 32%.

Yet most are still around, eager to make up their 2020 losses in 2021.

How is this possible? The obvious answer is the huge amount of money the federal government put into supporting small business. Which is, of course, ironic, given the stereotype of small business's antipathy toward government. As the post-pandemic economy takes shape over the next few years, seeing whether small business changes its views toward government should prove to be an interesting divertissement.

2) Growth Begets Growth

While tourism remains the most important piece of Jackson Hole's taxable economy, its relative importance has been waning for several years. In its place, economic growth is being driven by residential development and its attendant purchases.

Specifically, before the pandemic – i.e. for the six years from 2013-2019 – Tourism-related sales grew at a compounded annual rate of 8.8%, and Build & Equip sales grew at 12.0% per year. Expand the timeframe to include the pandemic – i.e. from 2013-2020 – and the seven year compounded annual growth rate for Tourism falls to 4.0%, while the Build & Equip rate grows to 13.1%.

The fact that $1.8 billion worth of property was sold in Jackson Hole in 2020 suggests the growth in Build & Equip will not abate, and almost surely accelerate – the COVID migrants buying vacant lots will want to build on them, and the folks spending millions on new homes will want to furnish, refurbish or remodel them. And since money won't be an object for many of these folks, all the pieces seem to be there for a continuing Build & Equip boom.

Two other factors will also likely to contribute to making Build & Equip increasingly important to the local economy. One is that like attracts like – as more and more COVID migrants and other well-to-do folks move to Jackson Hole, the more attractive it will become to like-minded people.

The other factor is that most new Jackson Hole residents have no direct economic connection to Jackson Hole's economy. As a result, they will be less likely to support tourism, especially at the ballot box (e.g., support will likely wane for the Lodging Tax and pro-tourism candidates). As that happens, it will become increasingly difficult for the Tourism industry to continue to grow at rates to which it has become accustomed and, in many cases, rates it needs to meet its financial targets.

3) Three Tribes

Among the other trends the COVID-19 pandemic has accelerated is the division of Jackson Hole and the surrounding region into three economic tribes.

The first tribe is those involved in tourism, a group anxious to make up for the big losses they suffered during the pandemic. Happily for them, their prospects seem good – by all indications Americans are eager to travel, disinclined to go overseas, and especially interested in national parks.

The second tribe is those working in Build & Equip industries. Coming out of their best year in at least a decade, the Build & Equippers are eager to keep the good times going.

Finally, there's Everyone Else. Those not involved in Tourism surely appreciate the amenities tourism makes possible. That noted, they seem to be increasingly impatient with worsening traffic, less seclusion, and the other consequences of a growing tourism industry.

All this lays bare an issue that has always been there for Jackson Hole, but has never reached critical mass – the lack of direct economic alignment between the three tribes.

In some fashion, each of these "tribes" has always existed in Jackson Hole. They've more-or-less existed in harmony, however, because the tourism's sway has never really been challenged. For generations, the community's consensus view has been that the foundation of the region's economic health was a strong tourism base, a view bolstered by the facts that: a) most people had at least an indirect financial stake in tourism's success, and b) all other economic activities were basically ancillary to tourism.

As technology has rendered Jackson Hole's geographic isolation less constricting, though, this consensus view has been eroding. With increasing velocity, Tourism's importance to the community's economy is diminishing, while other economic drivers are gaining ground (particularly investments and location-neutral jobs, which have no direct connection to either tourism or, more broadly, the community as a whole). As this shift continues, the community will need to develop a new consensus about both tourism and how it develops its remaining private lands. (Figure 4)

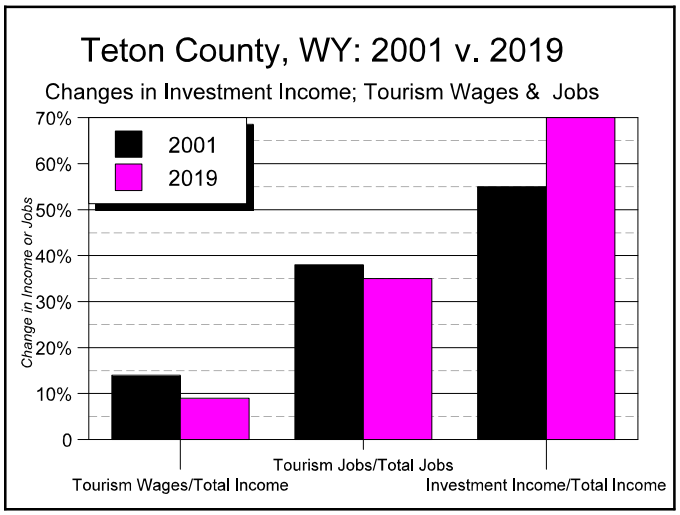

Figure 4

4) 2021's Double-Whammy

Putting all of this paper's information together, it seems several qualities will hallmark the remainder of 2021:

- Record numbers of tourists.
- Record amounts of construction.
- Record demand for employees.
- Record shortage of rental housing for workers.
- Record effective population (due to a combination of a record number of tourists, a record demand for local employees, increasing numbers of location-neutral workers, and a record number of seasonal and permanent residents lured here by COVID-related concerns).

If, in turn, much or all of this comes to pass, several outcomes are likely:

- An epically-overworked and under-housed tourism workforce. Coming on top of a year of pandemic-related stresses, this will likely lead to a decline in service quality, increased burn-out, and the like.
- Record amounts of traffic.
- Exceptional pressure on the region's public lands, especially the national forests (as the national parks have greater resources and greater ability to control crowds).

If, in turn, much or all of this comes to pass, it will likely exacerbate the fracturing of the community into tribes, with Tourism competing with Build & Equip for workers and workforce housing, and Everyone Else railing at both Tourism and Build & Equip for compromising their quality of life.

Longer-term, the key issue will be addressing the issues created by the increasing strength of the location-neutral economy vis-a-vis the local tourism economy. Two specific threats loom large:

- Maintaining a sense of community as location-neutral income increasingly overwhelms locally-derived income (e.g., those earning location-neutral income can increasingly out-compete those earning locally-derived income for housing); and
- Figuring out how to adequately fund local government when it receives essentially nothing from location-neutral economic activity.

Two Challenges

Sense of Community

If "tribal warfare" escalates, its primary casualty will be Jackson Hole's long-cherished sense of community. More tangible expressions of this battle will likely include increased opposition to renewing the Lodging Tax in 2022, pressure to slow the economy, demands to curb building any new housing unless it's for for workers, and increased friction between governments (locally, between those within the greater Tetons region, and between local government and Wyoming's legislature).

Jackson Hole will also almost certainly see increased tensions between those who view the region's ecosystem as something to be conserved and those who emphasize its economic and/or recreational uses.

None of these battles will be new. All of these and more currently exist, and have existed for some time. As is true in so many other facets of life right now, though, pressures resulting from the COVID-19 pandemic have amplified these pre-existing conditions, making community character-related problems more acute and therefore harder to solve.

Sadly, it's unlikely that COVID-19's waning will tamp down these problems, because as COVID recedes a new set of stresses will emerge – those related to navigating the post-pandemic world.

A number of these just-emerging post-pandemic problems will relate to the economy. This will be a national phenomenon, but will have local implications.

For example, as remote working reduces the demand for office space, and increasing on-line shopping reduces the demand for bricks-and-mortar stores, local commercial landlords will come under increasing financial pressure. Innovative owners will look to solutions such as converting commercial space to residential, but it seems likely that a new equilibrium won't be reached for quite a while.

More subtly, the pandemic is also creating tremendous urgency for large companies to become even bigger. The motivator is cost savings, and the trend has two local implications.

First, Jackson Hole's demographics will make the valley an increasingly tempting site for national brands looking to grow (witness the arrival of TJ Maxx, Whole Foods, Target, and REI).

Second, size gives national brands a cost advantage. As more of them move in, it will make it increasingly difficult for local mom-and-pop stores to effectively compete.

Put this together, and it seems likely that Jackson Hole's commercial character will become increasingly homogenized, leaving our commercial offerings increasingly indistinguishable from those found in any other well-to-do, medium-sized town.

A similar phenomenon is already affecting the lodging industry, whose rapid consolidation is making it increasingly difficult for smaller operators to successfully compete. Hence the proliferation locally of properties branded by major hotel chains (e.g., the new Cloudveil Hotel is part of Marriott's "Autograph Collection"); hence the conversion of several older local motels into employee housing.

The most worrisome trend, however, is the steadily-increasing number of residents earning their living from remote-work jobs and location-neutral investment income. As their numbers multiply, it's not clear how they will connect with the community.

Certainly not economically – someone earning his or her living by working remotely will care far more about national or global occurrences than local motel occupancy or Grand Teton visitor days.

But absent that – absent a culture informed by many people working in tourism and everyone else separated by only a degree or two from the industry – what will bind us together? What will dampen the centrifugal forces pushing us apart from one another? What will sustain, as legend has it, a culture in which you don't know whether the person next to you is a liftie or a millionaire?

That is the fundamental threat facing Jackson Hole's character. How do we maintain the "we're all in this together" quality when, increasingly, we're not all in it together? At least not economically.

Who are we?

This leaves us with the ultimate community character question: Who are we?

Pre-COVID, the communities surrounding Jackson Hole were growing rapidly, becoming the place of choice for people who could no longer afford to live in Jackson Hole, were willing to commute to Jackson Hole, or who'd simply grown tired of the place Jackson Hole has become.

The pandemic poured gasoline on this fire, and 2020's huge jump in property prices has had ripple effects across the greater Tetons region. And as Jackson Hole becomes a place with fewer working-class residents, the surrounding towns are rapidly transforming from bedroom communities to places with their own economies; i.e., places increasingly able to stand on their own.

For Jackson Hole, a hugely important question is how this regional transformation will affect the community's character.

For generations, people have moved to Jackson Hole for a variety of reasons, but stayed for a common one: they fell in love with the community. They stayed because it was home to a group of people willing to accept a harsh climate, geographic isolation, and other privations in exchange for the privilege of living in a place of beauty and wonder; a group of people who shared the ineffable sense that, rather than your job or your bank account, what mattered in life was the world around you.

Over the past several decades, this has slowly changed. The privations are fewer: Global warming is making Jackson Hole's climate less severe; technological advances are making geographic isolation less daunting; and e-commerce is bringing every consumer good imaginable to our front doors. As that happens, the community is becoming increasingly attractive to those who may place a higher priority on jobs and income than did earlier generations – despite surface similarities, the Jackson Hole experienced by those who moved to the Tetons and settled for a low-end service industry job is going to be a very different place than the Jackson Hole experienced by those who moved here able to continue working at their location-neutral tech job.

On their own, none of these things are toxic to Jackson Hole's sense of community. Collectively, though, they are synergistically creating a community character that makes Jackson Hole feel increasingly like every other haunt of the well-to-do.

In some ways, such homogenization is the inevitable outcome of America's economic and social system, one which incentivizes turning something unique into a commodity. But because most American communities are organized around economic self-interest, there is no recipe or road map or instruction manual for Jackson Hole to follow should tourism cease to bind us together.

All this creates an extraordinary challenge for not just Jackson Hole, but the entire Tetons region and beyond. In the face of rapid technological change and extraordinary economic pressure, can the greater Tetons community find a way to hold onto the qualities that make it a community? Or will it succumb to the forces of homogenization, and in so doing undermine its essence? The answer is far from clear, especially because there are really two questions here:

- Can Jackson Hole can chart a different course?
- Does Jackson Hole even want to chart a different course?

Facing challenges

These are not easy questions. But this generation is not the first Jackson Hole generation to face difficult challenges.

150 years ago, no one had ever conceived of setting aside land for a national park. Yet at the northern end of the Jackson Hole valley, that previously unknown concept became the reality of Yellowstone National Park.

100 years ago, no community had ever elected an all-woman town council. Yet in the Town of Jackson, that previously unknown concept became a reality.

70 years ago, no one had ever conceived of donating large amounts of land to expand a national park. Yet after a quarter-century of work, that's what happened when John D. Rockefeller, Jr. donated 33,000 of Jackson Hole's acres east of the Snake River to Grand Teton National Park.

And a quarter-century ago, no one had ever conceived of a collaborative charitable effort that could benefit all of a community's non-profits, without regard to ideology or donor preference. Yet this year will mark the 25th year of the Jackson Hole institution that is Old Bill's Fun Run.

What will be the next thing Jackson Hole does that has never before been conceived of, much less done? In previous writings I've observed that, with one exception, no region on Earth has ever developed a successful industrial or post-industrial economy without fundamentally compromising the health of its ecosystem. Yet that is the challenge the Jackson Hole community formally accepted by adopting its 2012 Comp Plan.

For the community to truly succeed, though, it can't just "preserve and protect the area's ecosystem." While that's necessary, it's not sufficient, for the community also has to simultaneously address the challenge identified in this paper: Maintain community character in the face of a rapidly-evolving economy.

Fusing community character and ecosystem health

Historically, two factors have molded Jackson Hole's character: the region's ecosystem, and our geographic isolation. For most people choosing to move to Jackson Hole, the motivation wasn't work or other economic considerations, but the ecosystem and what it offered them. To enjoy that bounty, people were willing to sacrifice – career and economic opportunities, cultural and consumer opportunities, the chance to live near family and friends and that they'd grown up with.

In return for those sacrifices, they got not just the place, but a community of people linked by a passion for the region and, critically, the shared sacrifices they made to live here.

Today, living in Jackson Hole requires increasingly fewer sacrifices. As those sacrifices diminish, the shared bond that has historically linked the community together is becoming stretched and frayed and broken.

What remains intact, though, is the ecosystem. It is the one thing that binds together the community's three tribes of Tourism, Build & Equip, and Everyone Else.

Unfortunately, though, the ecosystem is under two threats.

One is from the region's influx of built amenities, the golf courses and spas and trappings of commerce that make every high-end community in the world increasingly look and feel and behave like every other high-end community in the world. These amenities are wonderful, but they are also commodities. More importantly, they also distract residents and visitors from fully appreciating just how extraordinary the region's natural qualities are.

The other threat is the pressures on the region's ecosystem. Some of these threats – most notably climate change – are basically beyond local control. Others, though, can be addressed locally.

Groundwater pollution. Habitat fragmentation. Road expansion. All these and more are things we can control, because all are the result of taking the region's environment for granted.

Taking ecosystem health for granted may have worked in the past for Jackson Hole, because geographic isolation and less-sophisticated technology limited the number of people who could live in and visit the Tetons. As those barriers have receded, though, taking environmental health for granted has increasingly proved to be wishful thinking.

In particular, despite the fact that 97% of Teton County's land is publicly owned – the second-highest percentage of any county in the nation – our streams our polluted, our groundwater fouled, and our large mammal habitat is increasingly fragmented.

Which is exactly what's occurred in every other once-pristine place on the planet. As a result, we're in the process of learning what all these other places have already learned: Pursuing economic growth without taking into account environmental consequences doesn't work out well for ecosystems.

Sadly, it's becoming increasingly obvious that this approach isn't working out well for Jackson Hole, either – we may be special, but in this regard we're not unique. Where Jackson Hole is unique, though, is in how obviously dependent we are on the health of our ecosystem. It's the foundation not only of our region's economy, but also its character. Combined, our ecosystem and our character are driving the economy's boom, allowing us to do well even in the face of the worst public health crisis in a century. Yet thanks to that boom, we stand at risk of compromising both the health of our ecosystem and the distinctiveness of our character. And should we do that, we'll render ourselves just another community with high-end amenities located in a beautiful setting.

Lots of places are like that, but lots of places aren't Jackson Hole. The community's history suggests we are capable of not only envisioning a different, better, and forward-looking way of doing things, but turning that vision into reality. Indeed, doing so is at the core of the community's character.

The question now is whether that character can survive the extraordinary technological and economic pressures buffeting Teton County. If it can, it will be because the community recognized that, while economic health is important, it is not sufficient. Indeed, prioritizing economic health over all other considerations is antithetical to what Jackson Hole has been for its entire history. It will also be fatal to keeping it Jackson Hole the special – if not unique – place so many, many people want it to continue to be.

ECONOMIC DATA AND ANALYSIS

Economic Indicators

People measure what matters to them.

Wyoming is America's most libertarian state, so it measures relatively little about itself. Because its state and local governments are heavily dependent on sales taxes, though, sales tax collections are one of the few economic indicators Wyoming regularly measures and reports. As a result, while taxable sales represent only a small portion of Teton County's entire economy (at best they account for one-sixth of all economic activity), the state's monthly sales tax reports are often used as a proxy for how the overall economy is faring.

For their own reasons, other entities also regularly report economy-related indicators. Beginning with those related to tourism, this paper looks at a variety of these indicators.

Tourism Indicators

Every month, three Jackson Hole visitor-related metrics are compiled and widely reported: commercial passenger enplanements at the Jackson Hole Airport (JAC), and recreational visits to Grand Teton and Yellowstone national parks (GTNP and YNP respectively).

Two other tourist activity indicators are also available, albeit less readily: JAC private plane traffic, and vehicle traffic through each of YNP's five entrance gates. Each is measured daily. [2]

Jackson Hole Airport: Commercial Passenger Enplanements

In 2019, 454,629 people boarded a commercial airline flight at the Jackson Hole Airport. In 2020, the number dropped 37%, to 284,433.

In 2020, January and February enplanements were higher than a year earlier. In March, they fell nearly in half, and in April essentially went to zero. For the airport, this was the least-worst time for the pandemic to strike, because each year April and November vie for the title of "JAC's slowest month."

Air traffic picked up steadily after April's nadir, and by 2020's fourth quarter JAC's enplanement figure was only 15% lower than a year earlier. Still, among all of Jackson Hole's tourism indicators, commercial airline activity was clearly hammered the hardest by the pandemic. (Figure 5)

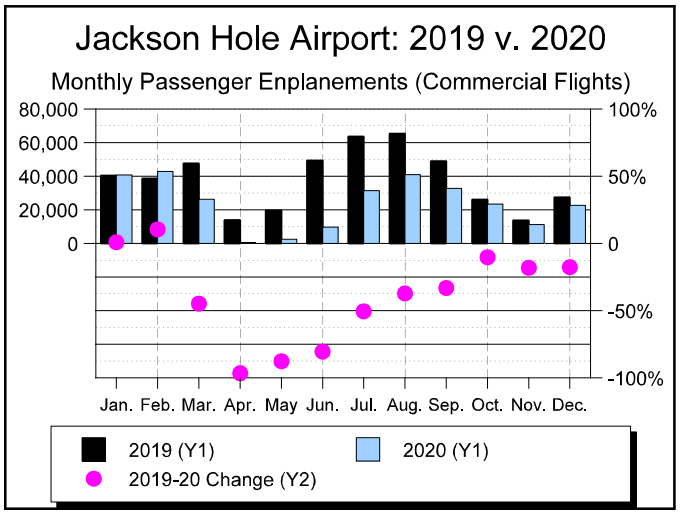

Figure 5

Jackson Hole Airport: Private Plane Activity

The Jackson Hole Airport's private plane activity (also known as "General Aviation") experienced a much different 2020 than its commercial counterpart.

In 2019, 16,720 private jets and propeller planes took off from JAC. In 2020, the figure rose 18%, to 19,777.

Essentially all of this increase occurred in the second half of the year. During 2020's first half, JAC's General Aviation traffic was down 8% from 2019. In 2020's second half, traffic was up 39%, with every month up at least 20% from the same month in 2019. (Figure 6)

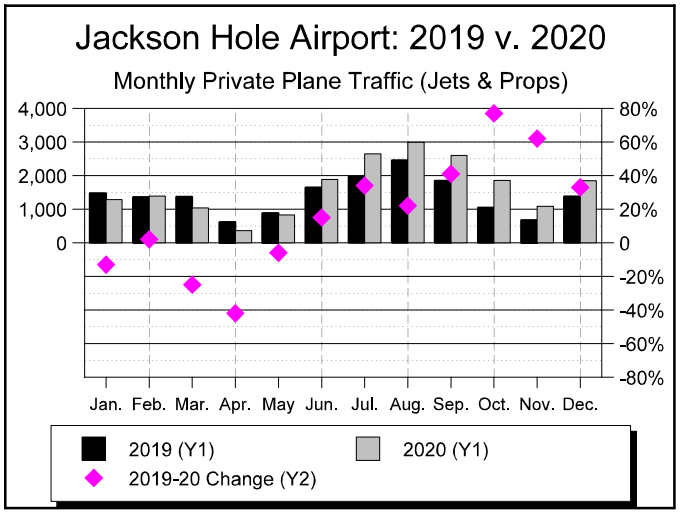

Figure 6

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[2] Jackson Hole Mountain Resort (JHMR) reports total skier days just once per year. Because national park visits don't correlate with skier-based tourism, in winter there is no monthly indicator of how well the ski season is going. For example, the ski season basically occurs between December and March, and in 2018-19, GTNP recorded 215,212 visits during those four months. A year later the figure was 204,733, 5% lower. In its 2018-2019 season, JHMR reported 715,100 skier days; a year later the figure was 578,147, 19% lower. Because skier days aren't reported monthly, though, it's not clear how much of JHMR's 2019-20 decline was due to the resort closing four weeks early.

Overall, August, 2020 was JAC's busiest month. Between 7:00 am and 10:00 pm each day, JAC averaged one private jet flight every 12 minutes. Add in commercial jets and private propeller planes, and there was one flight every 7 minutes.

Grand Teton National Park: Monthly Visitations

In 2019, 3.41 million people paid a recreational visit to Grand Teton National Park. In 2020, the figure dropped 3.4%, to 3.29 million.

As with JAC, April is traditionally GTNP's slowest month. In April 2020, GTNP was closed to visitors. In May, visitors began to return, and the pace kept picking up throughout the summer. By August 2020, GTNP's monthly visitation was ahead of 2019's August count, and the same held true for every subsequent month in 2020. (Figure 7)

Taking a less-granular look, during the first half of 2020, GTNP's recreational visit count was 34% below 2019's figure. During the second half, it was 12% higher.

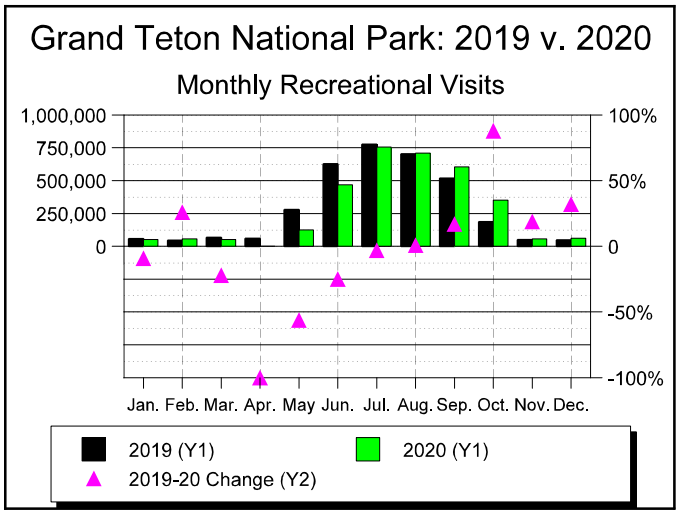

Figure 7

Yellowstone National Park: Monthly Visitations

Yellowstone National Park's 2020 was similar to Grand Teton's, but somewhat more extreme.

Overall, YNP's 2020 total recreational visitor count of 3.75 million was 6.6% lower than 2019's. During the first half of 2020, YNP's count was a whopping 51% below 2019's; during the second half of the year, it was 16% higher.

For Yellowstone, visitations picked up somewhat earlier than Grand Teton's: from July through December 2020, every YNP monthly visitation count was higher than in the same month the year before. (Figure 8)

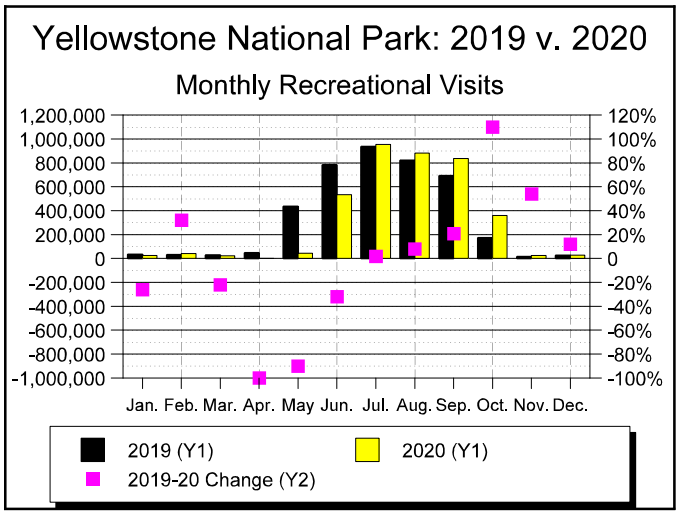

Figure 8

Yellowstone National Park: Daily Traffic

For 2019 and 2020, Yellowstone National Park was able to provide daily traffic counts for each of its five gates. Figure 9 (next page) shows the daily average traffic count at the south gate; i.e., the gate that connects Yellowstone to Jackson Hole. (Note: In Figure 9, seven day averages were used to accommodate the handful of days in each year when data weren't available.)

The 2019 v. 2020 traffic curves crossed in late June, and with the exception of just one snow day in late October, every 2020 day between July 6 and October 31 had more traffic than the same day in 2019.

Perhaps the most striking part of Figure 9 is how quickly 2020's traffic counts climbed. On June 10, 939 vehicles entered YNP through its south gate. The next day, there were 1,609, and the figure stayed above 1,000 until mid-October. This hints at just how quickly people changed their minds from being concerned about traveling to the region's national parks to embracing it.

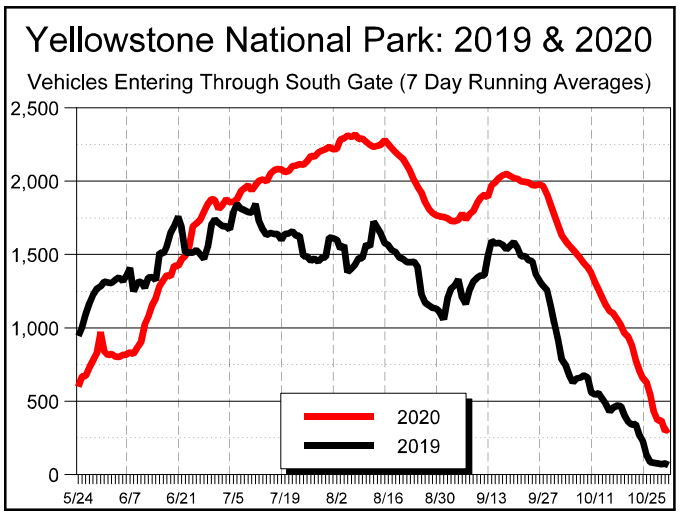

Figure 9

In short, as judged by traffic into Yellowstone National Park, the pandemic's effects on tourism numbers started to wane in mid-June, and by the end of that month had worn off completely.

At the other end of the economic spectrum, something similar occurred with high-end travel. Once early June arrived, JAC's private plane traffic started exceeding 2019's levels, and stayed that way until year's end. (Figure 10) [3]

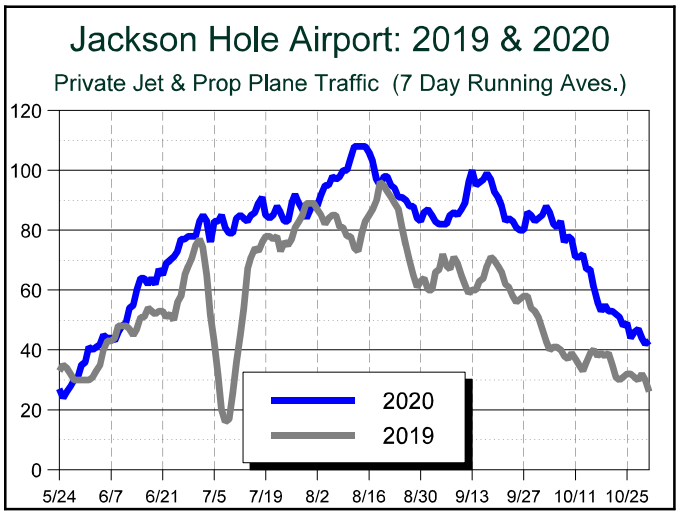

Figure 10

Real Estate Sales

In 2020, $1.803 billion worth of real estate was sold in the Jackson Hole valley, over twice 2019's figure of $889 million.

During the first halves of the two years, real estate sales were almost identical: $342 million in 2019 versus $363 million in 2020.

In the second half of each year, though, the figures wildly diverged: $546 million in 2019 versus $1.440 billion in 2020. Not only was 2020's second half nearly three times greater than 2019's, but essentially as much real estate was sold in just three months – August, September, and October – as in all of 2019. (Figure 11)

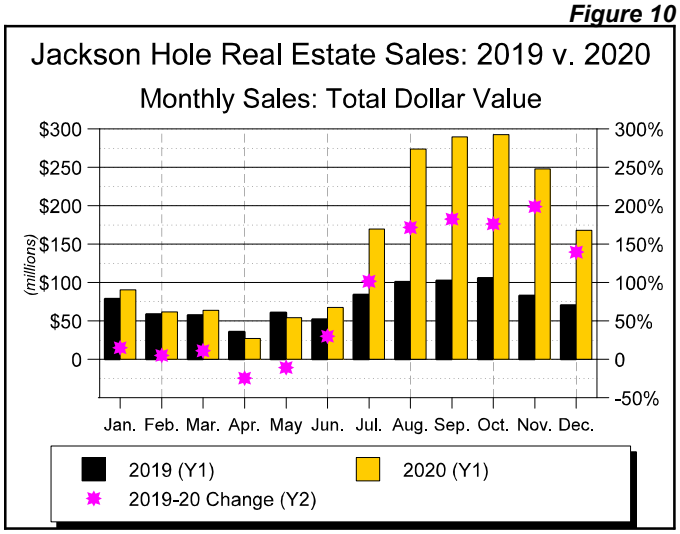

Figure 11

[3] In Figure 10, the big dip in early July 2019's count was due to a broken data collection system, not an actual drop in traffic. Unfortunately, the exact count for those several days isn't known.

Perhaps even more striking was the fact that in 2020, Teton County sold more real estate – $1.803 billion – than it did taxable goods: $1.538 billion. This in unprecedented in the county's history, whether annually or monthly. Yet in 2020, not only did it happen for the entire year, it happened for five consecutive months: August-December. (Figure 12)

In 2020, the $1.538 billion worth of taxable goods sold in Teton County generated $92.5 million in tax revenues for state and local government. The $1.803 billion sold in real estate generated $0.

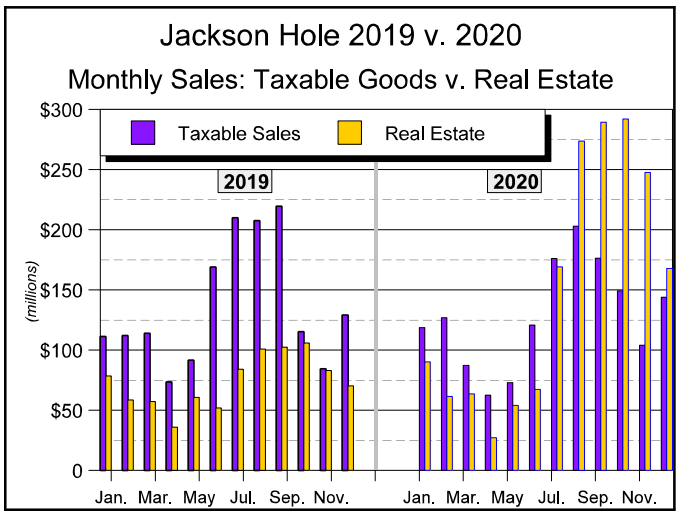

Figure 12

Classified Ads

The *Jackson Hole News&Guide's* classified ads have traditionally been the go-to forum for employers looking for workers, and for workers looking for housing. Although other internet-based classified ad forums have popped up in recent years, by all indications the *News&Guide's* classified ads remain the region's foremost medium for Help Wanted and Rental Housing advertising.

Help Wanted Ads

In a typical year, the *News&Guide's* Help Wanted ads have a three-part flow. Towards the end of the ski season, the column inches of ads start surging as local businesses begin hiring for summer. Ad volume peaks around Memorial Day, and then slowly declines until around Labor Day. From there it's relatively flat until the end of the following ski season.

This was 2019's pattern, and 2020 followed a similar trajectory until the pandemic struck. Employers responded by pulling ads – in the five weeks between mid-March and mid-April, the column inches of Help Wanted advertising fell 86%, reaching a nadir not seen since the Great Recession.

By Memorial Day, though, employers were feeling more optimistic about their summer prospects, and Help Wanted ad levels bounced back up by the latter part of June; i.e., about the same time visitors began arriving in force.

Perhaps most striking, though, is what has happened in 2021. During the six weeks between early February and mid-March – i.e., the final six weeks before the pandemic struck in 2020 – 2021's Help Wanted ads ran 22% ahead of 2019's count, and 26% ahead of 2020's. Throw in the fact that the March 24, 2021 issue had Memorial Day-level of Help Wanted ads, and it seems likely that demand for labor will be exceptionally high during summer 2021. (Figure 13)

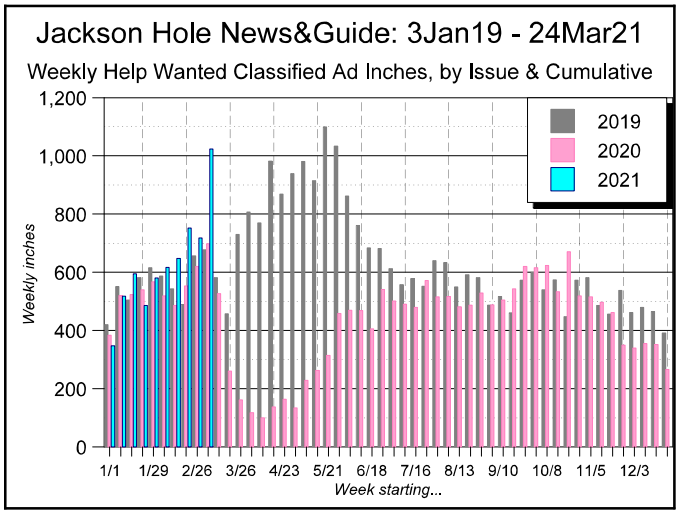

Figure 13

Rental Housing Ads

In contrast to its large and growing amount of Help Wanted classified advertising, the *News&Guide's* column inches of Rental Housing classified advertising is small and shrinking rapidly.

In the 16 years ending on November 25, 2020 – i.e., in the 16 years ending in Thanksgiving week 2020 – only seven issues of the *News&Guide* had ever had 10 or fewer column inches of Rental Housing classified ads. Just seven issues out of 836; just 0.8%.

In the 17 weeks since Thanksgiving 2020, however, every single edition of the *News&Guide* has had 10 or fewer column inches of Rental Housing classified ads. In fact, only two of those 17 papers have had as many as 10 inches of Rental Housing classified ads.

The 52 week running totals of Rental Housing classified ad column inches have been in free fall since the beginning of September, 2020, a short time after Jackson Hole's real estate market started exploding. They set an all-time low on December 2, 2020, and every passing week has continued to set new record lows. (Figure 14)

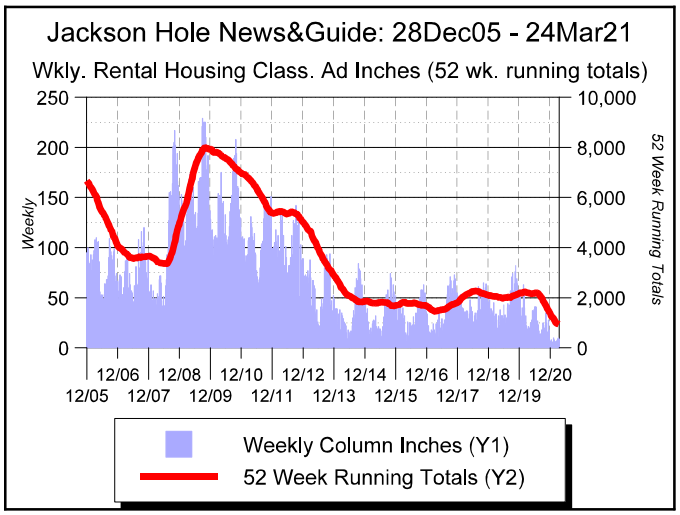

Figure 14

All of this bolsters the belief that many of the homes sold during 2020's real estate boom were ones that had been in the local rental pool, but no longer are. When combined with the huge spike in Help Wanted advertising, this also suggests that, going forward, employees will find it exceptionally difficult to find housing in the Jackson Hole valley. Indeed, using 52 week running totals, the current ratio of 25 inches of Help Wanted advertising for every 1 inch of Rental Housing advertising is at its all-time high. Looking at just the March 24, 2020 edition of the *News&Guide*, the ratio was 128 inches of Help Wanted ads to every 1 inch of Rental Housing ads, a figure exceeded only once – in the *News&Guide* of five weeks earlier.

<u>Taxable Sales</u>

Before the COVID-19 pandemic struck in mid-March, 2020, Teton County's taxable sales had started the year well – January 2020's sales were 7% ahead of January 2019's figure, and February 2020's were up 13%.

Jump ahead seven months, and 2020 also finished very strong: October 2020's sales were up 30% over 2019, November's were up 24%, and December's were up 13%. (Figure 15)

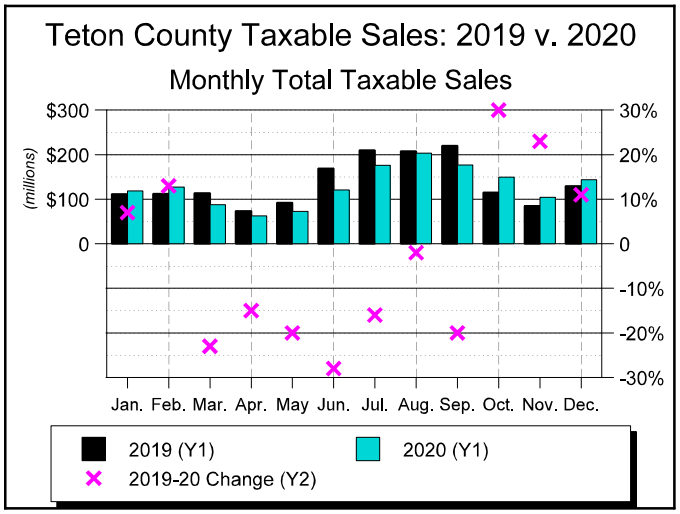

Figure 15

In-between, though, the pandemic occurred. As Figure 15 also shows, it hit the community's taxable sales economy hard: March was down 23%; April down 14%; May down 20%; June down 28%; July down 15%; August down 2%; and September down 19%.

Added together, during calendar year 2020 Teton County's taxable sales were down 5.3% from 2019. During the seven prime pandemic months, they were down 16.6%.

All told, though, this was a lower drop than many people feared would be the case. To understand why, we need to take a closer look at the components of Teton County's taxable sales.

Two Decades of Taxable Sales

Over the last two decades, Teton County's total taxable sales have more-than-doubled, rising from $731 million at the beginning of 2000 to $1.54 billion at the end of 2020. (Figure 16)

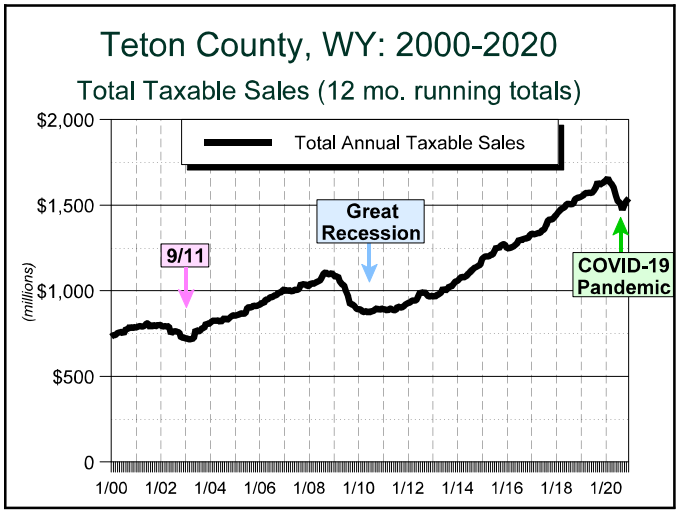

Figure 16

Overall during that stretch, total sales grew 111%. On an annual compounded basis, the growth rate was 3.7%. Buried in the overall figures, however, were three distinct slumps:

- Following 9/11, annual sales peaked in January 2002 at $802 million. Fourteen months later, they bottomed out at $717 million, a drop of 11%. Sales returned to their previous peak in November, 2003, a 22 month trough.
- Following the start of the Great Recession, annual sales peaked in September 2008 at $1.11 billion. Eighteen months later they bottomed out at $875 million, a drop of 21%. Sales did not fully recover until July 2014, nearly six years since their previous peak.
- In 2020, annual sales peaked at $1.66 billion in February, the month before the COVID-19 pandemic struck. They bottomed out seven months later at $1.47 billion, a drop of 11%. They have yet to return to their pre-pandemic peak.

Both the 9/11 and pandemic era slumps saw taxable sales fall 11%. Since bottoming out, pandemic era taxable sales have made up 60% of their pre-pandemic losses, and are on track to return to February 2020's peak before the end of 2021, if not significantly faster. Assuming they do, the pandemic slump will essentially be a shorter, more compressed version of the post-9/11 slump.

Taxable Sales by Sector

When they register with the state, every business selling taxable goods in Wyoming is assigned the four digit North American Industrial Classification System (NAICS) code appropriate for its industry.

The first two digits of the NAICS code represent a broad industrial category. For example, "44" is Retail. The third and fourth digits indicate a more specific sub-category; e.g., 4421 is "Furniture Stores," 4422 is "Home Furnishings Stores," and 4431 is "Electronics and Appliance Stores."

Using this system, Teton County's taxable economy falls into six basic sectors. Three are traditionally associated with tourism: Retail; Lodging; Restaurants & Bars. The other three are generally associated with purchases made by locals: Construction; Car Sales; All Other.

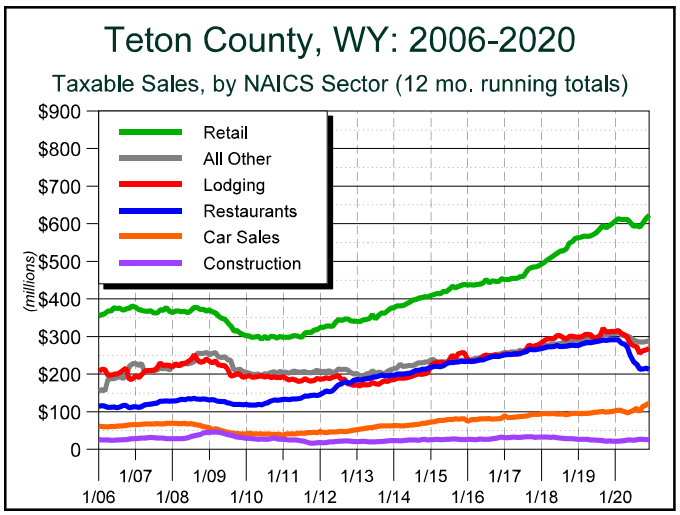

Figure 17

Businesses with "Retail" NAICS codes account for the largest share of Teton County's taxable sales. In 2006, Retail accounted for 39% of Teton County's total taxable sales; in 2020 it was 40%. When combined with Lodging and Restaurants, these three tourism-related sectors accounted for 74% of Teton County's total taxable sales at the beginning of 2006. At the end of 2019, they also accounted for 74%. During 2020, they fell slightly to 73%. (Figure 17)

Because of Retail's importance, it's worth taking a closer look at its many components.

Taxable Retail Sales

Under the NAICS system, Teton County has 27 different categories of Retail businesses. By combining similar business types, Figure 18 reduces the 27 categories into seven:

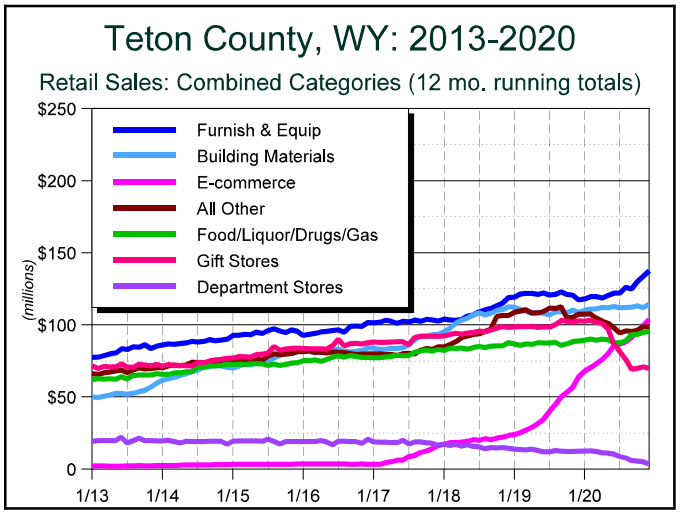

Figure 18

- ***Furnish & Equip*** (8 separate categories) is stores selling items used to furnish and equip homes; e.g., furniture, home electronics, and gardening supply stores.
- ***Building Materials*** (1) is hardware and other building supply stores.
- ***E-Commerce*** (1) is on-line sales.
- ***Food/Liquor/Drugs/Gas*** (5) is grocery and liquor stores, pharmacies and other stores selling personal care items, and gasoline stations.
- ***Gift Stores*** (1) is stores selling items oriented toward tourists.
- ***Department Stores*** (1) is broken out as a separate category because it was dominated by Kmart, which closed in February 2020 [4].
- ***All Other*** (10), which tends to be the sorts of retail stores catering to tourists (e.g., clothing, jewelry, art, and "Other Miscellaneous").

What to make of all this?

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[4] Sales in "Department Stores" will no doubt shoot up again in 2022 when Target replaces Kmart.

For starters, in 2013 each of the five primary categories of Retail Sales accounted for similar amounts of sales, in the $50-$80 million range. Department stores were a distant sixth, and there were no taxes to speak of being collected from internet sales.[5]

Not much changed until 2017, when the state began to enforce tax collections on E-Commerce sales. But excepting for E-Commerce, even at the beginning of 2020 things weren't too different than they were in 2013. Then COVID hit, and major changes occurred.

By the end of 2020, Building Materials – the fastest-growing Retail segment of the past decade – had risen from fifth place to second, E-Commerce had risen from nowhere into third place, and Department Stores had essentially faded from the scene.

To make these changes clearer, Figure 19 simplifies Figure 18 by combining similar categories of sales. Rather than store types, these categories are based on customer affinities; i.e., who is making the purchase.

In Figure 19, the "Build & Equip" category is a combination of Figure 18's "Furnish & Equip," "Building Materials," "E-Commerce" and "Department Stores." They are grouped together because their customers primarily are:

- people in the process of buying and/or building/ remodeling, and/or equipping a home; and
- locals (as tourists usually don't buy lumber or furniture or most of the items Kmart sold. Nor do they come to Jackson Hole to e-shop).

Using the same rationale, Figure 19 combines Figure 18's "Gift Stores" and "All Other," because tourists form the bulk of these stores' clientele.[6]

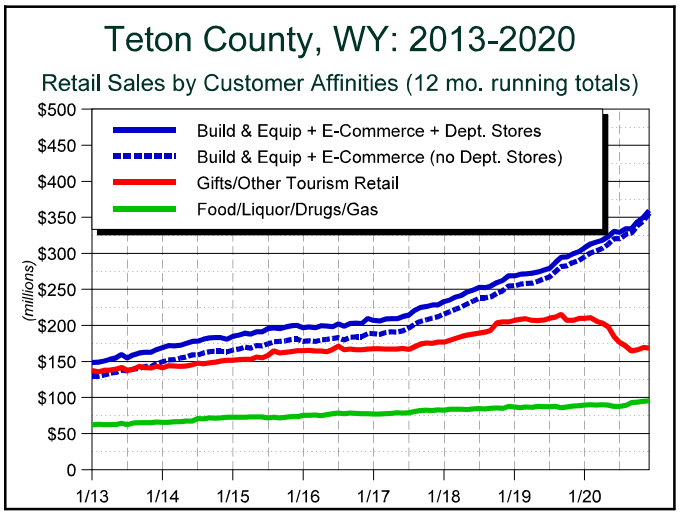

Figure 19

Viewed through the customer affinity lens, two things jump off of Figure 19.

First, Build & Equip is driving the growth of local Retail sales, and as Figure 18 shows, E-Commerce is driving much of the growth in Build & Equip. In fact, in 2020 Teton County's residents and businesses purchased more taxable goods on-line than they bought from local grocery stores, liquor stores, pharmacies, personal care product stores, and gas stations combined.

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[5] While Teton County residents and businesses were making internet-based purchases in 2013, the state was not actively enforcing on-line sales tax collections. This began changing in 2017, and by the end of 2019 essentially all internet-based purchases sent to Wyoming addresses were being taxed at local rates.

[6] To state the obvious, not all "Build & Equip" sales are made to locals, and not all "Gift Stores/All Other" sales are made to tourists. That noted, the groupings are grounded in two assumptions: a) a similar type of customer is making the preponderance of purchases in each category; and b) "Build & Equip" sales made to tourists and "Gift Stores/All Other" sales made to locals roughly balance out. If anything, this exaggerates sales made to tourists and understates sales made to locals, but given the data limitations, it's the best approach.

Second, taxable sales made by tourist-oriented stores (i.e., Gifts/All Other) were essentially stagnant between October 2018 and February 2020, then fell 20% in the next ten months.

To sum up, in Teton County the "Retail Sales" category is not a monolith, but instead consists of three primary sub-categories: bricks-and-mortar and on-line stores primarily servicing locals, bricks-and-mortar stores primarily servicing tourists, and bricks-and-mortar stores servicing both.

Looked at this way, the three sub-categories have been experiencing different growth patterns over the past eight years:

- Growing in importance:
  - Stores primarily serving locals.
- Shrinking in importance:
  - Stores serving locals and tourists.
  - Stores primarily targeting tourists.

Hence Figure 20's primary point: Since the fall of 2018, essentially all of the growth in Teton County's Retail sector has been driven not by tourists, but by people making purchases associated with building, remodeling, equipping, and living in their homes.[7]

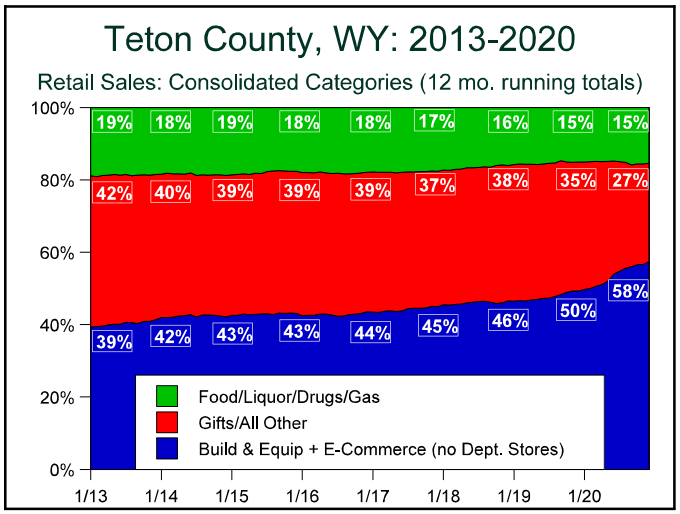

Figure 20

Put another way, since the fall of 2018, the primary driver of Teton County's Retail sales has not been Tourism, but Build & Equip.

Re-categorizing All Taxable Sales

Viewing all taxable sales through the same "Customer Affinity" lens, the six NAICS-based categories from Figure 17 can be consolidated into four Figure 21's four larger categories:

- ***Tourism*** – businesses whose primary customer base is tourists: Lodging, Restaurants, and Gifts/All Other Tourism-oriented Retail.
- ***Build & Equip*** – businesses whose primary customer base is people building/remodeling, furnishing, and equipping homes: Construction, Build & Equip-oriented Retail, and Car Sales.
- ***Food/Liquor/Drugs/Gas*** – Retail businesses which service both locals and tourists: grocery and liquor stores, pharmacies and other stores selling personal care items, and gasoline stations.

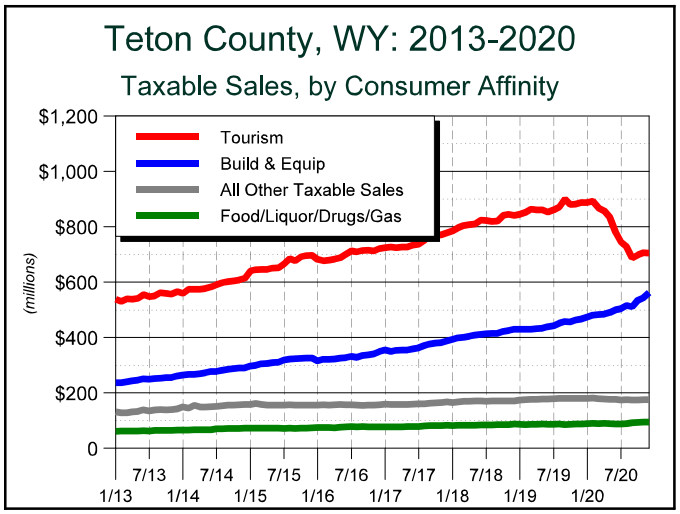

Figure 21

[7] To prevent Kmart's closure from distorting the data, Figures 19-23 exclude "Department Stores" from the "Build & Equip" category.

- ***All Other*** – businesses whose primary customer base is locals. These include utilities, business services, professional services, and a variety of other businesses which generate modest amounts of sales taxes.

Figure 22 shows how these Customer Affinity categories have performed since the beginning of 2013. At their essence, sales in the two smaller categories have grown modestly, those in Tourism have fallen back to their mid-2016 levels, and those in Build & Equip are doubling every five-plus years.

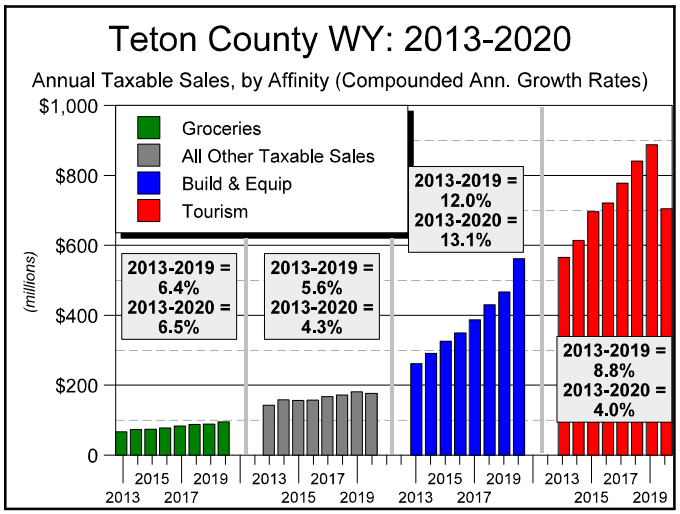

Figure 22

Clearly the pandemic hammered Tourism-related sales – between their February peak and September nadir, Tourism sales fell 23%, a monthly decline of 3.6%. Even before the pandemic struck, though, Tourism-related sales were growing slower than Build & Equip-related sales – as with so much about the pandemic, COVID-19 didn't fundamentally alter existing trends but instead exacerbated them.

In sum, the pandemic had mixed effects on Jackson Hole's taxable economy.

From a consumer affinity perspective, the pandemic was an accelerant for Jackson Hole's Build & Equip economy, which in turn kept the overall taxable economy from being dragged down by Tourism's woes.

From a temporal perspective, the pandemic's effects were severe, but lasted only around six months. Notably, despite the fact that 2019's fourth quarter was pre-pandemic and 2020's was engulfed by COVID-19, beginning in October 2020, every month has shown an increase in taxable sales from the same month a year earlier. (Figure 23) This phenomenon has continued into 2021, and shows no signs of abating.

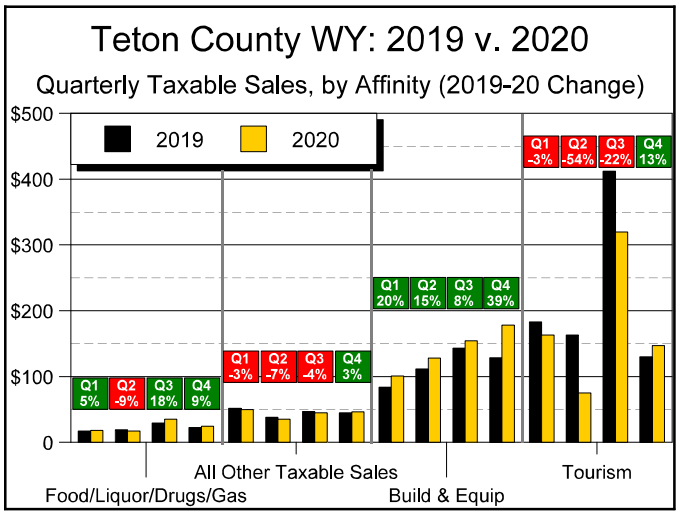

Figure 23