

The Economic Impact of Pennsylvania Heritage Areas

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Executive Summary

Research was conducted in five Pennsylvania Heritage Areas in 2014-2015 to analyze their economic impact in Pennsylvania. The research involved a survey of heritage-area visitors, interviews with stakeholders in the five study heritage areas (HAs), and an estimation of the economic impact of the heritage-related visitation to all 12 HAs statewide.

The five study HAs were: PA Route 6, National Road, Allegheny Ridge, Lincoln Highway and Susquehanna Gateway (See Map 1 on Page 2).

Overall, the research found that tourists spent an estimated 7.5 million days/nights in Pennsylvania's 12 HAs in 2014, purchasing \$2 billion worth of goods and services. The total contribution of heritage visitor spending (direct, indirect and induced effects) to the state's economy was 25,708 jobs and \$798 million in labor income.

The research also indicated that the five study HAs contribute positive economic benefits to their local geographic regions in two ways:

- HA organizational expenditures and the work of HA staff facilitate economic development projects in their regions. This involvement increases the economic impact within each local region. This also enhances the economic value of HAs as they may use technical expertise to promote economic development with partners. For example, the five study HAs documented specific examples of eco-

nomie development success, including more than 151 new tourism-related businesses in the past 5 to 10 years. These businesses provide evidence that the HAs play a role in their areas that yields beneficial economic and social returns.

- Heritage visitation to a local region was defined and attributed to each HA and its partners. Heritage-specific visitors were quantified via the research survey when respondents indicated that a visit to a heritage attraction or event was the primary reason for their visit. Heritage visitation provides substantial economic benefits for the local geographic region. Highlights of the economic impact of heritage-specific visitation in each of the five study HAs are shown in Table A on Page 2.

For example, the shaded area in Table A illustrates the economic impact on Allegheny Ridge. Specifically, visitors spent an estimated 344,903 party days/nights in the HA, spending nearly \$66 million in 2014. (Party days/nights accounts for all visitors within a group and the time they spend in an area). Further, direct heritage-defined visitor spending supported 564 jobs. Adding indirect and induced effects, the total jobs supported were 699. Jobs include both full- and part-time, consistent with employment estimates of the Bureau of Labor Statistics. Similarly, Table A illustrates findings for labor income,

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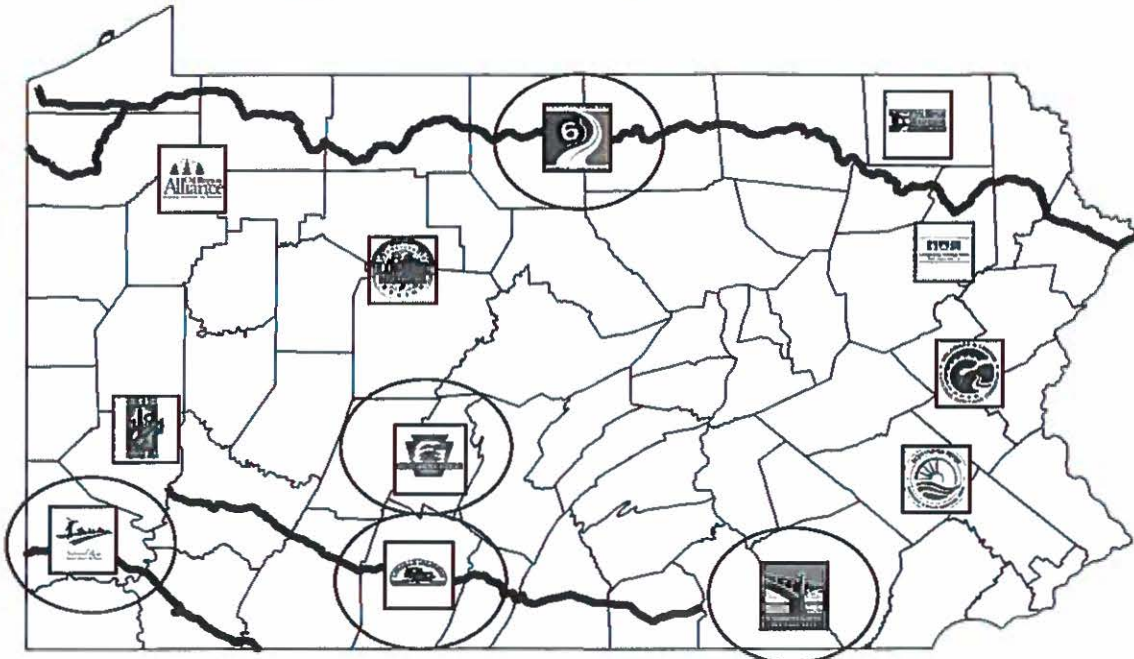
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The Center for Rural Pennsylvania is a bipartisan, bicameral legislative agency that serves as a resource for rural policy within the Pennsylvania General Assembly. It was created in 1987 under Act 16, the Rural Revitalization Act, to promote and

sustain the vitality of Pennsylvania's rural and small communities.

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Map 1: Pennsylvania's 12 Heritage Areas and the 5 Heritage Areas Included in the Research (circled)



Source: Pennsylvania Department of Conservation and Natural Resources, 2015. Map by the Center for Rural Pennsylvania.

value added (Gross Domestic Product), and total output (sales). For example, labor income is measured as income that includes wages and salaries, payroll benefits, and income of sole proprietors. The spending of heritage-defined visitors in 2014 directly affected Allegheny Ridge salaries and small business owner income by \$14 million, which increased to nearly \$21

million when including indirect and induced effects.

Allegheny Ridge direct heritage-visitation spending contributed nearly \$20 million to its regional Gross Domestic Product (GDP). Including indirect and induced effects, the contribution increases to more than \$31 million. GDP or value added includes labor income as well as profits and rents and indirect business taxes.

Table A: 2014 Heritage-Defined Visitor Economic Impact of 5 Study Heritage Areas

2014 Spending Impact of Non-Local or Overnight Visitors					
	Allegheny Ridge	Lincoln Highway	Heritage Areas		Susquehanna Gateway
			National Road	Route 6	
Visitors (# of Party days/nights)	344,903	1,034,486	626,045	4,336,559	209,535
Heritage Visitor Spending (000's)	\$65,606	258,873	151,750	1,056,641	62,251
Direct Effect					
Jobs	564	2,603	1,667	9,641	568
Labor Income (000's)	\$14,164	\$53,628	\$30,318	\$216,916	\$12,117
Value Added (GDP) (000's)	\$19,534	\$82,316	\$48,862	\$318,603	\$195,01
Output (000's)	\$33,386	\$147,854	\$90,403	\$558,669	\$34,326
Total Effect					
Jobs	699	3,260	2,050	12,271	735
Labor Income (000's)	\$20,914	\$78,396	\$45,873	\$316,157	\$19,152
Value Added (GDP) (000's)	\$31,137	\$126,814	\$75,890	\$499,413	\$32,470
Output (000's)	\$52,300	\$225,530	\$137,340	\$891,101	\$56,282

Note: Party days/nights accounts for all visitors within a group and the time they spend in an area. Source: Survey of visitors to 5 study heritage areas, 2014; 3,524 total respondents.

Table B: 2014 Heritage-Defined Visitor Economic Impact of all 12 Pennsylvania Heritage Areas

Statewide Model - Visitor Spending Impact/Non-Residents	All 12 Heritage Areas Pennsylvania
Visitors (Party days/nights)	7,539,755
Heritage Visitor Spending (000's)	\$2,089,077
Direct Effect	
Jobs	19,333
Labor Income (000's)	\$477,881
Value Added (GDP) (000's)	\$709,062
Output (000's)	\$1,208,247
Total Effect	
Jobs	25,708
Labor Income (000's)	\$798,114
Value Added (GDP) (000's)	\$1,263,295
Output (000's)	\$2,147,091

Source: Survey data of visitors to 5 study heritage areas, 2014; 3,524 total respondents, extrapolated using visitation data from the remaining 7 non-study heritage areas.

Value added is the preferred measure of the contribution of an activity or industry to gross regional product as it measures the value added by that activity/industry net of the costs of all non-labor inputs to production.

Output represents the value of industry production or sales. For example, manufacturers would define output as sales plus/minus change in inventory. The output of service sector production is equal to its sales. Output in the retail trade sector is only the retail margin on retail sales and therefore excludes the cost of goods sold. Allegheny Ridge direct heritage-visitation spending contributed more than \$33 million to the regional output. Including the indirect and induced effects, the economic benefit increases to more than \$52 million.

Intangible economic benefits included sustaining the culture and heritage of an area, as well as partnering with tourism promotion agencies (TPAs) to attract tourist dollars. HAs also work with local chambers of commerce to attract businesses and promote economic development in rural Pennsylvania.

In addition to the five study HAs, the research team also used visitation estimates provided by all 12 Pennsylvania HAs to develop an estimate of heritage-visitation economic effects on jobs, income, and value added statewide (See Table B).

Specifically, visitor parties spent an estimated 7.5 million party days/nights in the 12 HAs in 2014, spending an estimated \$2 billion. Further, the direct impact of heritage visitor spending to the state economy was 19,333 jobs and \$477.9 million in labor income. Including indirect and induced effects, the total con-

tribution of visitor spending to the state's economy was 25,708 jobs, \$798 million in labor income, and nearly \$1.3 billion in value-added effects. By comparison, recent research reported that total Pennsylvania travel and tourism-related economic activity supported 478,888 jobs (direct and indirect jobs) in 2013. The state's travel and tourism sector was directly responsible for an estimated \$15.3 billion of the state's 2013 GDP (Tourism Economics, 2014). By comparison, this research estimated that 2014 HA visitation was directly responsible for \$709 million.

Based on the visitors sampled at the five study HAs, the research found approximately 70 percent of visitor spending and associated economic effects would be lost to these regions in the absence of specific heritage anchor attractions. The importance of these individual attractions is underlined by one finding that indicated low awareness of the concept of a "heritage area" as well as the existence of the overall HA Program. The data indicate that 67 percent of respondents were not aware of the HA Program, and that a majority of respondents were not aware of each individual HA—with the exception of Lincoln Highway, where 60 percent of respondents indicated they were aware of the HA.

This research suggests that the HA Program, although a component of the larger statewide tourism industry, supports a substantial number of jobs across the state, particularly within the restaurant, amusement, and retail industries, despite limited awareness of the specific HA.

Heritage-defined visitors were responsible for more

than \$158.7 million in state and local tax revenues in 2014. State and local tax revenues include employee contributions, household taxes (income, real estate, etc.) and corporate profit taxes.

The operations of HAs provide nominal economic benefits for their local region through salaries, grants and special projects; however, the administration of grant revenue from federal, state, or local funding agencies results in a significant effect on the regional income and value-added multipliers.

Based on the research findings, the research team recommended several actions to improve aspects of the HA Program including:

- a meeting between HA staff and key Department of Conservation and Natural Resources (DCNR) leaders to develop a statewide roadmap for the future of the HA Program;
- the adoption of a common visitor survey procedure for all HAs based on the methods used in this study;
- suggested refinements to the DCNR partnership grants program and enhancements to the mini-grants program;
- consideration of a more marketable name for the HA Program; and
- continued development of ways of to improve relationships with local partners and stakeholders.

The research team also recommended enhancements to the ways HAs help preserve a sense of place within their regions and new efforts to encourage nature tourism.

For a copy of the report, *The Economic Impact of Pennsylvania Heritage Areas*, visit the Center's website at www.rural.palegislature.us.

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