



THE BASICS OF ECONOMIC MEASUREMENT DEVELOPING AN ECONOMIC IMPACT ASSESSMENT TOOL FOR AMERICA'S BYWAYS®



ABOUT THE SPOTLIGHT SPEAKER Shanna Ratner

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Shanna Ratner is the Principal of Yellow Wood Associates, Inc., a consulting firm specializing in rural community economic development since 1985. Ms. Ratner has over 22 years experience managing complex research initiatives and analyzing rural economic development opportunities. She has worked closely with Federal, State, and local governments, citizen groups, and nonprofit organizations in identifying and implementing solutions to a range of natural resource-based development challenges. Ms. Ratner has worked with the National Network of Forest Practitioners in designing and implementing the National Community Forestry Center, Northern Forest Region. Under Ms. Ratner's leadership, Yellow Wood Associates has received four awards from USDA's Small Business Innovation in Rural Development program and has produced three trademarked services, *You Get What You Measure™*, *See the Forest™*, and *Green Community Technologies™*. Ms. Ratner was one of a dozen members of the Aspen Institute's Learning Cluster on Rural Community Capacity Building and a member of the first class of Donella Meadows Fellows in Systems Thinking. Ms. Ratner holds a Master of Science degree in Agricultural Economics from Cornell University and a Bachelor's Degree in Value Systems from New College in Sarasota, Florida.

The America's Byways Resource Center offered two Tele-Workshops on the "Basics of Economic Measurement," featuring Shanna Ratner, the Principal at Yellow Wood Associates, Inc. Byway participants shared information about their byways' economic measurement efforts and needs, learned about the basics of economic measurement and participated in a Q&A discussion.

About a year ago, a national steering committee comprised of byway leaders, State coordinators and America's Byways Resource Center staff, selected Yellow Wood Associates, Inc., to work with the byway community to evaluate the potential for an economic impact measurement tool that various byways could use to acquire applicable data. The first part of the project involved three phases:

- Phase 1:** Surveying the byway community to determine specific needs of byway organizations regarding economic impact data and techniques
- Phase 2:** Identifying and reviewing existing data collection and analysis models in use
- Phase 3:** Assessing feasibility of creating a tool to collect and analyze data that would be simple to use and effective for grassroots community groups with limited resources

Now that these three phases have been completed, Yellow Wood Associates and the national steering committee have concluded that a tool is feasible. Ms. Ratner explained

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to the Tele-Workshop audience that Yellow Wood Associates will now move into the next three phases:

- Phase 4:** Developing a paper-based tool
- Phase 5:** Testing and refining the electronic tool
- Phase 6:** Recommending a distribution and implementation plan

Henry Hanka, Special Projects Manager at America's Byways Resource Center, is coordinating the project. He said, "This is not a study, nor will it determine a national aggregate number on economic impact. Rather, the project's goal is to create a byway-specific tool that will focus on the investment in the corridor in combination with visitor spending." The tool is expected to be available to byways in late 2008.

Ms. Ratner echoed Henry's comments. "Our goal is to create an electronic system that has simple navigation and screen-by-screen instructions that help you to generate reports from the data you collect. We want background information built into it so it's useful," she said. "But, the elbow grease will come from the byway." For this

reason, Yellow Wood Associates have paid attention to how byway organizations work and their funding sources to make the tool affordable to implement and easy to use.

Pilot tests with Ohio and Kansas have begun. The two pilot tests will help shorten the learning curve for other byways. “We expect to wrap that up in May or June. The point of those tests is not the data—the data will be irrelevant because it won’t cover a long enough period of study—but we’ll be able to check the process and refine the tool,” Ms. Ratner said.

The Tele-Workshop discussion revealed some of the many considerations that have contributed to the complexities of developing the tool. Prior to the call, participants could download vocabulary and background documents (see Resources). Ms. Ratner asked for Tele-Workshop participants’ questions about economic measurement. She noted the importance byways placed on this topic.

“Part of the reason scenic byways began was to generate economic impact,” she said. “So... do they?”

Ms. Ratner explained that one of the initial hurdles for byways that want to measure the economic impact of designation is that most byways did not collect data prior to designation. “You need a baseline—the before,” she said. “Then you must measure again after designation.” The difference from before designation to after designation is the only way to show the designation’s economic impact. She said that the expense of a survey often prevents byways from completing both measurements.

Instead of economic impact, byways might measure economic significance, which identifies the portion of existing economic activity that can be attributed to byway designation. Economic significance can be measured at a single point in time. Ms. Ratner recommended reviewing the online document on economic-related vocabulary for further information.

During the studies of byway needs, Yellow Wood learned that byways especially seek data and analysis methods that show the

value of investment, visitation, and spending. “What do you think you’ll do with the information? Most byways told us that they would discuss it or present it to local officials.” To provide a realistic snapshot of the byway’s importance, the data must differentiate between general economic significance and the byway designation’s economic significance. This applies to all three sources of economic activity—investment, spending and visitation.

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Intrinsic qualities existed before designation. Claiming that intrinsic qualities produced economic significance would be erroneous. However, byways certainly invest in their intrinsic qualities and this has economic significance. They invest in planning, educational programming, renovation, and restoration. They invest in protection of natural resources or easements. They invest in planning for property, construction, and operation. Those investments are measurable—and they would not have happened if the byway did not exist.

It’s safe to assume that because the byway organization exists, its activities help differentiate economic significance. “If a byway organization initiates an activity, then a person can argue it is due to the byway. If a joint operation takes place with a byway organization and another group; or, if there is a match-in-kind situation with the byway organization, then you can credit the byway,” Ms. Ratner said.

For example, a grant application that generates investment dollars is creditable to the byway if it specifically acknowledges the byway. Projects that simply generate money but do not reference the byway or the byway group are not.

Consider private investment dollars, too. Some may be the result of the byway’s designation, such as the renovation of a B&B along the route. Renovation that occurred regardless of the byway cannot be claimed.

“You can get a complete list of property owners in your byway corridor now. Note those that are related to intrinsic qualities. Then you need to find out if they’ve invested money because of byway designation,” she added.

Ms. Ratner commented that spending, as a measure of economic significance, is more difficult to assess than investment. Spending includes typical tourism purchases, such as souvenirs, food and lodging. “But there are different aspects of spending within that general tourism spending,” she cautioned. “For example, you can say people spend \$100 per day per person when they visit a byway from out-of-state. But that’s not the whole story. There’s leakage.”

She defined two primary ways for dollars to leak outside the byway corridor.

- 1. Consumer Leakage** - Byway visitors spend money outside of the corridor
For example, if the byway does not have lodging facilities within the corridor, then the consumer’s spending leaks out of the corridor for overnight accommodations.
- 2. Producer Leakage** - Businesses within the corridor purchase supplies from outside the corridor
For example, the B&B buys ingredients for food preparation from sources outside the corridor to serve breakfast.

If Gross Spending equals the total dollars that came from visitors’ wallets, the formula to illustrate the economic significance actually looks more like:

$$\begin{aligned} & \text{Gross Spending} \\ & - (\text{Consumer Leakage} + \text{Producer Leakage}) \\ & = \text{Net Spending} \end{aligned}$$

In reviewing existing economic measurement tools, the Yellow Wood team incorporated the wisdom of those studies that have worked well. Most models

continued

don't differentiate gross and net spending. In fact, some of them apply multipliers to their gross numbers, and, very quickly, the numbers add up. "Multipliers make sense in large geographic areas," Ms. Ratner said. "Byways don't have State boundaries and they're typically linear and not large. There's greater leakage. However, the leakage is important: it helps to reveal the spending that spills over to the region surrounding the corridor."

She commented on spending surveys, too. Some byways have simply asked visitors, "What did you spend?" This type of survey becomes expensive with recruiting, training, and paying staff to implement the survey. Ms. Ratner said, "Most places don't do them regularly, so you get a limited perspective rather than a year-round view. Accuracy can be affected."

She also acknowledged that some byways have tried to extrapolate from State studies. "Look for systematic data collection. Some State-level data is good, but it varies in quality from State to State. Many States rely on subset data from national sources. We're working on getting consistent data from State to State," she said.

Ms. Ratner emphasized that the need for differentiation applies to assessing visitation in the same way that it does for investment and spending. Visitors may be local people (and many studies leave out the residents, she noted), in-state day visitors/in-state overnight visitors, or out-of-state visitors. All three categories should be considered, but in light of the byway's contribution to piquing their interest in visiting. "If the site was internationally famous before designation, you cannot claim that designation is attracting visitation. Look for other sites developed for visitation by the byway organization or exhibits on the site that have their own market draw specific to the byway. You can count the site if it wasn't recognized or valued for visitation until the byway promoted it," Ms. Ratner advised. "Look for those byway-added features. Then you know the byway is instrumental in gaining visitation."

Showing a clear link in the documentation, motivation or intention related to the byway more accurately reflects the byway's designation as a factor in economic gains. The approach stands up to scrutiny by local officials and fortifies the entire National Scenic Byways Program. ■

RESOURCES

Tele-Workshop Podcasts

<http://www.bywaysresourcecenter.org/events/workshops/teleworkshops/>

Economic Impact Vocabulary for Byways (document)

www.bywaysresourcecenter.org/topics/finances/economic-impact/tools/1089/

Basics of Economic Measurement (document)

www.bywaysresourcecenter.org/topics/finances/economic-impact/articles/1086/

Economic Impact Information

www.bywaysresourcecenter.org/topics/finances/

Part I Economic Impact Survey Results

E-mail your request for a PDF to center@byways.org.

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Special Thanks

The Steering Committee and America's Byways Resource Center would like to thank Wetlands and Wildlife Scenic Byway (Kansas) and Lake Erie Coastal Ohio Trail (Ohio) for volunteering their staff time and resources to testing service vendors and equipment in early 2008. This very preliminary pre-testing phase will result in no usable data for these two byways. Their cooperation in testing the equipment will benefit all of us in the future and is greatly appreciated.

Q&A

Q. If we don't use multipliers, won't officials think we have a small impact?

A. Qualify your estimates and make them conservative. Explain exactly how you got the numbers. Most people recognize that multipliers are highly exaggerated. The new economic measurement tool will help you show value in real terms.

Q. Will the new tool take into account the value of health or spiritual benefits?

A. So far, the focus is on dollars, not intangibles. Those are definitely benefits to note, but we're not looking at ways to quantify them yet.

Q. How can we learn more about this economic impact measurement tool?

A. The development of this byway-specific tool has been byway-led and byway-driven from the beginning, so we want to hear from you. Tell us what you think at the Discussion Forum at Byways Online: www.bywaysonline.org/forums/viewtopic.do?topic=239. You can also learn more about economic impact at the America's Byways Resource Center's website at www.bywaysresourcecenter.org. Look under "Topics - Finances": www.bywaysresourcecenter.org/topics/finances/.

America's Byways Resource Center
provides information, connections and expertise
that help build better byways. State coordinators,
local groups, volunteers and organizations with ties
to nationally designated scenic byways look to us
for hands-on assistance in planning, promoting and
managing scenic byways.

Please visit www.bywaysresourcecenter.org for
Tele-Workshop Fact Sheet archives.

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