Jonathan Schechter – "Corpus Callosum" Column
***Jackson Hole News&Guide* – February 25, 2009**

On Monday, I made a presentation about local taxable sales patterns to the county commissioners. Here's what I told them.

Local government relies on sales taxes for over half its revenue, yet taxable sales account for only about a quarter of our total economy (real estate sales accounts for another quarter; so does personal income; so does the combined total of services and every other type of economic activity). As a result, there's a fundamental disconnect between our local economy and local government revenues, a reality which won't change until the Wyoming legislature decides to give more power to local government (i.e. until hell freezes over).

That noted, taxable sales have been growing pretty robustly in recent years. In fact, despite the nation's economic woes, local taxable sales hit their all-time high last fall, with September 2008's report showing $1.124 billion of sales in the previous 12 months. This translated into $67.4 million in sales taxes, of which around half comes back to local government for operations and SPET tax obligations (i.e. capital facilities).

Since September, however, sales have tapered off, declining three percent over the last four months. This has caused great concern among local governmental officials, for if its primary revenue stream is drying up, local government will be able to do less in coming years. So their question to me was "What's happening with local taxable sales?"

The first thing to note is that three categories account for 80 percent of all taxable sales: Tourism (primarily lodging and restaurants) accounts for 40 percent; general retail (ranging from car sales to Kmart to fur coats and rubber tomahawks) accounts for 29 percent; and construction materials account for 11 percent. Combined, all other taxable items sold in Teton County account for only 20 percent of the total. So, when looking at where it gets its money, local government needs to focus on three categories: tourism, retail, and construction.

During this decade, taxable sales were relatively stagnant until the summer of 2005. Since then, they spurted for a while, tapered off, then boomed again. For this analysis, three dates are noteworthy: July 2007, when the most recent spurt began; September 2008, when sales peaked; and last month, the most recent data available. (Graph 1). Combine these dates with the Big 3 sales categories, and Graph 2 results, showing the performance of each category over the last 18 months. Graph 3 takes the same data and shows how different sub-categories have performed.

Two things jump out.

First, retail is a stagnant industry in Teton County. Individual exceptions exist, of course. However, generally speaking, retail has been weak for a couple of years now. Further, given that it's hard for local merchants to compete on price, it also suggests tough sledding ahead for any retailer selling items which can be purchased cheaper elsewhere. Looking to the future, we'll likely see a contraction of our retail sector until it can better re-align itself with what customers are willing to buy locally.

Second, our current taxable sales growth is dependent on two sectors: construction and high-end tourism. Looking ahead, plummeting building permit numbers suggest only high-end tourism seems likely to continue to provide significant revenues.

Why high-end tourism? Graph 4 gets at this. Overall, visitation has been stagnant the past

few years: Grand Teton visits have shown no growth, and the Village has been without the tram. Yet lodging revenues have increased, as have airport enplanements. This suggests that the tourists who are coming here are spending more – lots more – for high-end lodging, food and other amenities.

With retail in the doldrums, construction about to fall, and tourism uncertain, it seems likely that taxable sales will stagnate, if not decline. With that, so will local government revenues. What can we do?

Not much on the retail side, for consumer spending is driven by forces beyond local control. Ditto construction, unless the town council and county commission want to wipe out all planning and zoning ordinances.

This leaves only high-end tourism. Unfortunately, we don't know much about who these folks are, what attracts them, or, crucially, what we can do to make sure they keep on coming. About all that is clear is that there will be spirited competition for this demographic, for other resorts will surely reach the same conclusion.

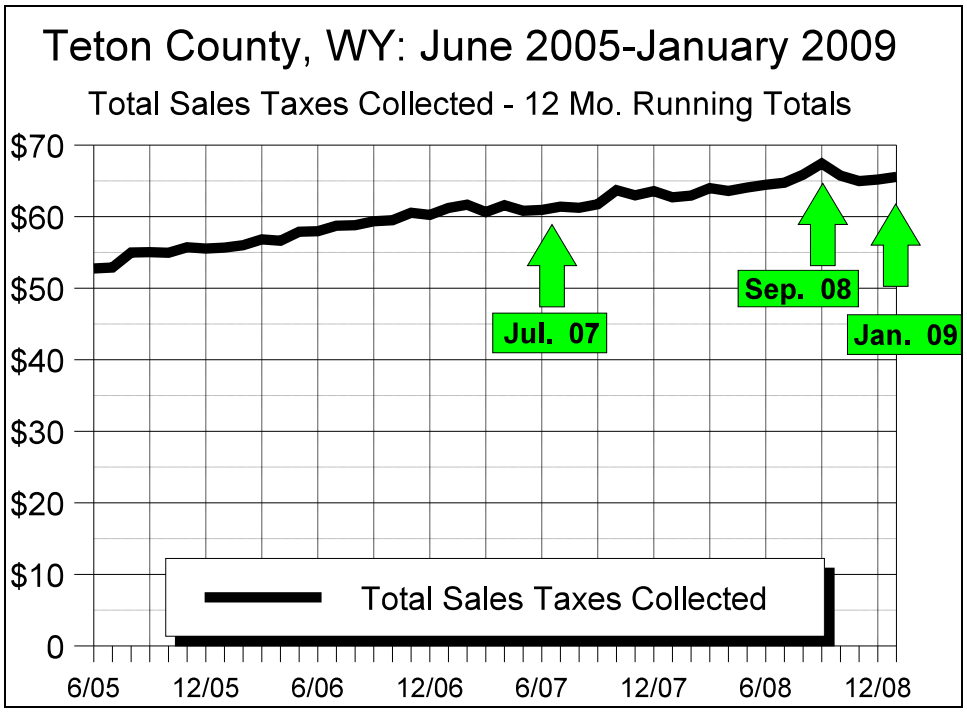
Longer term, two options present themselves. One is to increase local government funding by better aligning taxation with the local economy. One possibility is an income tax, but that, too, is out until hell freezes over. A real estate transfer tax is a more likely alternative, but to get one enacted will require far more focus and commitment by local officials than they've shown to date. At a minimum, though, support for a real estate transfer tax is something we demand from every candidate for local elected office.

The other option is to look to the community to support itself.

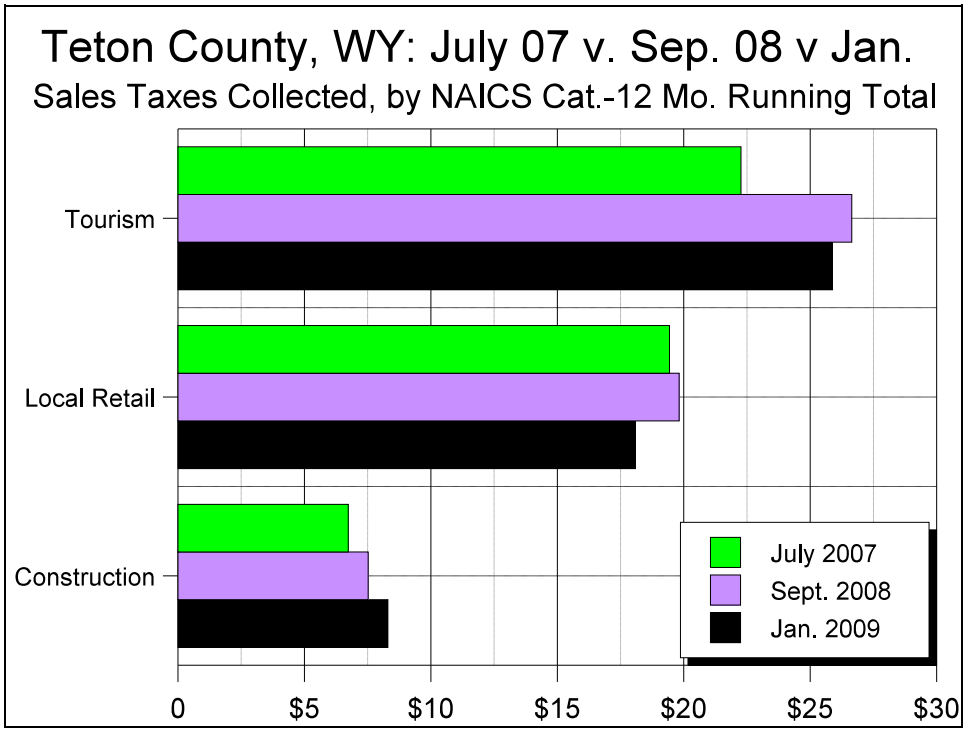
By any objective standard, Wyoming residents are very lightly taxed, receiving far more services than we pay for. This is especially true in Teton County, where tourists pay a big chunk of our sales taxes and energy taxes generated elsewhere help pay for our schools and other infrastructure.

Yet our needs exceed what local government can fund. How, then, to pay for these other things? We may not appreciate it, but we already have the answer – our charitable giving. In particular, the donations made both individually and through organized programs such as Old Bill's Fun Run and 1% for the Tetons allow us to enjoy a much higher level of services than the government alone can pay for.

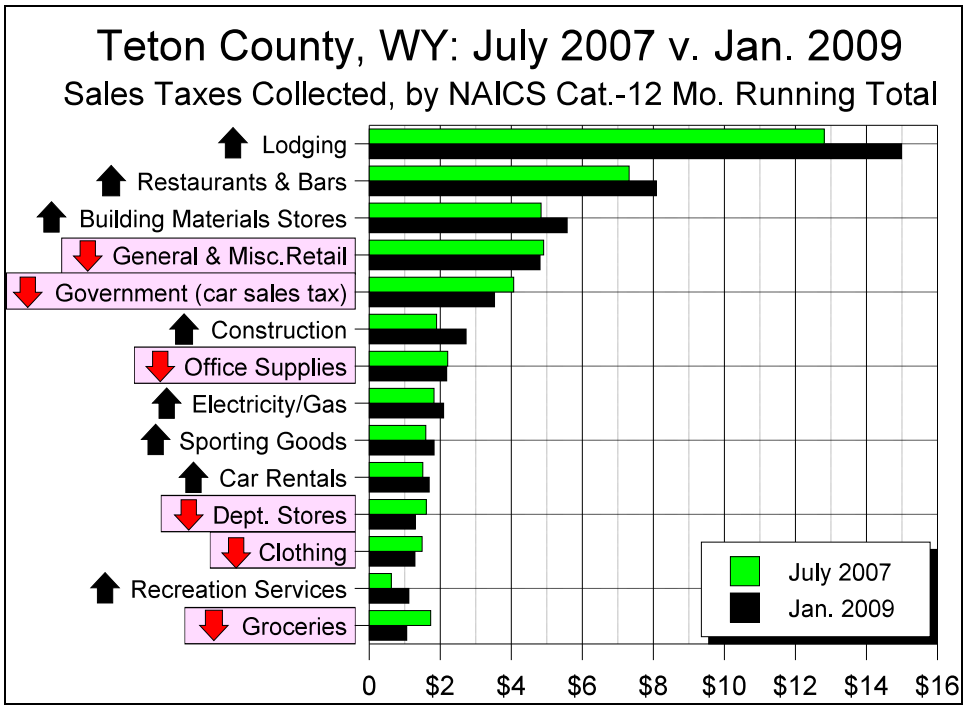
The challenge is to build on this platform. How? Local government can leverage its dollars by forming partnerships to complement efforts funded through Old Bill's and 1% for the Tetons. By creating such partnerships, both the government and voluntary efforts can see their funds go farther. As things become harder, the more we can realize such shared benefits, the better off the entire community will be.



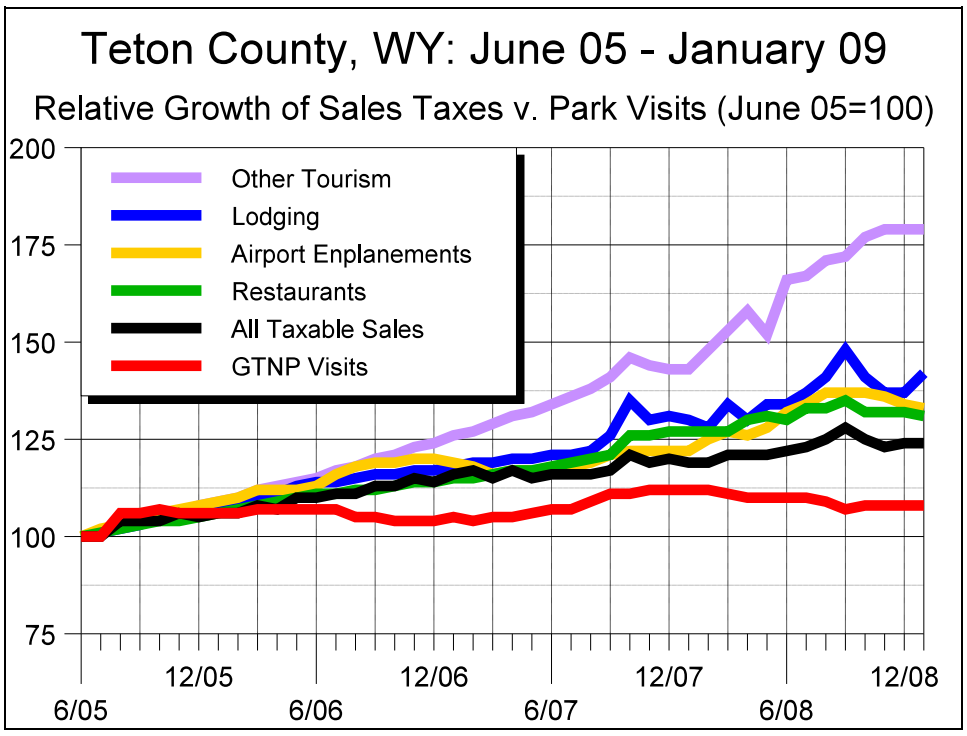
Graph 1



Graph 2



Graph 3



Graph 4