

ECONOMIC IMPACT OF  
THE GREENBRIER  
1998

BY

RANDALL A. CHILDS

AND

DR. TOM S. WITT

BUREAU OF BUSINESS AND ECONOMIC RESEARCH

COLLEGE OF BUSINESS AND ECONOMICS

WEST VIRGINIA UNIVERSITY

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## EXECUTIVE SUMMARY

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The Greenbrier has operated in White Sulphur Springs since 1910 under the ownership of the C&O Railroad, now CSX Corporation. This resort provides 5 star service and amenities to a high-level clientele from around the world. The Greenbrier has a host of world-class amenities to attract visitors ranging from 54 holes of golf to a comprehensive spa. The Greenbrier is one of West Virginia's crown jewels. This report documents The Greenbrier's contribution to the West Virginia and Greenbrier County economies in 1998.

Due to the seasonal nature of The Greenbrier's clientele, occupancy rates during the off-season are less than ideal. The Greenbrier management has recommended the implementation of casino gaming for resort guests to increase occupancy rates in the off-season. This report also quantifies the incremental economic contributions to both the West Virginia and Greenbrier County economies as if casino gaming were instituted in 1998.

The economic impacts presented in this report are estimated using financial information developed by Arthur Andersen (a Big Five accounting firm) and provided by The Greenbrier and the IMPLAN input-output model (a widely used economic model that estimates economic activity for a particular region). Using this information, specific economic impact models are estimated and used to quantify the economic contributions the resort makes to the regional economies. Among the economic impacts estimated are employment, compensation, output, value added and assorted state taxes.

Highlights of the 1998 total economic impacts (direct, indirect, and induced) of The Greenbrier include:

- Total number of jobs created was 2,702
- Total output generated was \$190,554,000
- Total employee compensation generated was \$79,251,000
- Total value added generated was \$114,089,000
- Total assorted state taxes (consumer sales, personal income, corporate net income, and business franchise) resulting from The Greenbrier was \$11,146,078.

Highlights of the 1998 total economic impacts (direct, indirect, and induced) of The Greenbrier with casino gaming include:

- Total number of jobs created was 3,061 (an increase of 359 jobs)
- Total output generated was \$225,441,000 (an increase of \$34,887,000)
- Total employee compensation generated was \$89,631,000 (an increase of \$10,380,000)
- Total value added generated was \$130,932,000 (an increase of \$16,843,000)
- Total assorted state taxes (consumer sales, personal income, corporate net income, business franchise, and gaming taxes) resulting from The Greenbrier was \$16,025,445 (an increase of \$4,879,367).

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## OVERVIEW

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For 220 years visitors have traveled to White Sulphur Springs, West Virginia, to partake of the springs at the various resorts which flourished in the area. Since 1910 The Greenbrier has operated in White Sulphur Springs under the ownership of the C&O Railroad, now CSX Corporation. This resort provides 5 star service and amenities to a high-level clientele from around the world. Many visitors get their first glimpse of West Virginia through The Greenbrier and return year after year. The historic main portion of the resort is listed on the National Register of Historic Places and the resort is a member of the Historic Hotels of America, a program of the National Trust for Historic Preservation.

The Greenbrier has a host of world-class amenities to attract visitors ranging from 54 holes of golf to a comprehensive spa. Other amenities include tennis, horseback riding, croquet, white water rafting, falconry, and cross-country skiing, among others. The Greenbrier offers a Modified American Plan for visitors, which includes breakfast and dinner.

This report documents the economic contributions The Greenbrier makes to the Greenbrier County and West Virginia economies. Using financial information from calendar 1998 and the IMPLAN input-output model (a widely used economic model that estimates economic activity for a particular region), specific economic impact models are estimated and used to quantify the economic contributions the resort makes to these regional economies. Among the economic impacts estimated are employment, compensation, output, value added and assorted state taxes.

Due to the seasonal nature of The Greenbrier's clientele, occupancy rates during the off-season are less than ideal. The Greenbrier management has recommended the implementation of casino gaming for resort guests to increase occupancy rates in the off-season. This report quantifies the incremental economic contributions to both Greenbrier County and West Virginia economies if casino gaming were to be instituted in 1998. The additional number of guest nights represents a significant increase in occupancy rates and revenues resulting in an expansion the economic contribution of the resort. The direct, indirect and total economic impacts of casino gaming and additional guest nights are also estimated.

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## THE GREENBRIER 1998

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As a destination resort The Greenbrier provides a host of activities including golf, tennis, spa and pool, equestrian, shopping, fishing, trapshooting, croquet, falconry, and white water rafting, among others. During the main 1998 season The Greenbrier employed 1,480 employees on average during the year. At periods of peak occupancy employment rose to 1,635 while during the off-season employment was as low as 1,205. These individuals include desk clerks, managers, waiters, chefs, pool attendants, starters, housekeepers, groundskeepers, tennis and golf pros, laundry workers, plumbers, carpenters, painters, and a host of individuals in other occupations. Almost all employees were West Virginia residents with approximately 88 percent residing in Greenbrier County. Greenbrier employees provide the majority of services marketed through the resort; however, there are some services provided by vendors in the immediate region who have their own employees.

The Greenbrier has two major seasons. The main season spans the period April-October and represents the highest occupancy rates and profitability. The off-season spans the period November-March with the months of January and February having the lowest occupancy rates. In fact, during the month of January average monthly occupancy rates have been as low as 15 percent.

In 1998 there were a total of 253,00 guest days recorded at The Greenbrier. The average guest spent \$388 per day at the resort. While some travelers spent funds elsewhere within West Virginia while visiting or traveling to The Greenbrier, no information is available on the amount spent. Of the guests, 87.4 percent came from outside West Virginia with the balance (12.6 percent) from within West Virginia. It is clearly apparent that The Greenbrier attracts an out-of-state, higher income visitor.

The focus of this report will be on all activities associated with The Greenbrier Resort Management Company. Under this corporate organization is CSX Hotels, CSX IP, Old White Club Corporation, Greenbrier Golf and Tennis Club Corporation, The Old White Development Company and the Greenbrier Village Utility Company. Outside of the significant physical presence in White Sulphur Springs, The Greenbrier also operates the food service at Tamarack and has an outlet store at the Flatwoods Factory Outlet Center. All of the above entities are considered to be integral to the operation of The Greenbrier and would not exist without the success of the original resort. Also included are revenues associated with the bunker, the former government relocation facility which is now owned and operated by The Greenbrier. Excluded from the study are other CSX Corporation operations physically located outside of West Virginia such as the Grand Teton Lodge Company in Wyoming.

In 1998 The Greenbrier paid considerable taxes to the State of West Virginia. These include the following:

Consumer Sales Taxes	\$6,079,327
Corporate Net Income Tax (without adjustments)	\$481,898
Business Franchise Tax (without adjustments)	\$647,100
Use Tax	\$310,714
Employee State Income Tax Withholding	\$1,168,524
Unemployment Compensation	\$1,155,649
Workers Compensation	\$1,044,852
Liquor/Wine	\$34,606

In addition, The Greenbrier paid \$791,838 in local property taxes in Greenbrier County. In sum The Greenbrier paid over \$11.7 million dollars in taxes to the State of West Virginia and Greenbrier County.

The study also includes the direct economic contribution of The Greenbrier Clinic, a nationally known diagnostic clinic offering a wide array of services. It is very clear that the clinic's success would not be possible without the close partnership with The Greenbrier. The Greenbrier Clinic employs approximately 70 doctors and clinical personnel.

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## CASINO GAMING

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The Greenbrier management has provided one scenario regarding the operation of a casino within the report. While the economic impact estimates are based upon this scenario, it should be pointed out that the actual operation might be different depending upon the outcome of proposals currently before the West Virginia legislature and management decisions regarding the actual operation. The following are some of the key elements of this casino scenario used in this economic impact study.

1. The casino will be high-end, table-oriented, with optional black tie dress and open during evening hours to hotel guests only.
2. The operation of the casino will necessitate the addition of 76 employees with an annual payroll of \$3,284,545. These employees will be used to staff the slots, table games, cage/security, general/administrative, and maintenance/engineering components of the proposed casino.
3. Total casino revenue is estimated to be \$7,932,000 annually or approximately \$50 per occupied room. Besides the payroll expenses, other expense categories include license fees, gaming taxes, marketing, other taxes (property, income, unemployment compensation and workers compensation), other expenses, and fixed expenses. The stand-alone casino operation will be a break-even proposition at best from the viewpoint of The Greenbrier.
4. Gaming taxes are estimated at 53 percent of gross terminal revenue from video lottery games and 37 percent of adjusted gross receipts of games other than video lottery games. It is assumed that 50 percent of total revenue will be from video lottery games and 50 percent from games other than video lottery. Video lottery gaming taxes are estimated to be  $(\$7,932,000/2) \times 53\%$  or \$2,101,980, while gaming taxes on games other than video lottery are estimated to be  $(\$7,932,000/2) \times 37\%$  or \$1,467,420. Thus, total gaming taxes are estimated to be \$3,569,400. An estimate of the increased property taxes to Greenbrier County is \$71,000 per year.
5. The casino will increase the resort occupancy rate, particularly during the off-season. Management estimates that an additional 34,000 guest days will be generated from the operation of the casino. This will necessitate an increase in the number of employees at The Greenbrier, which may range as high as 148 during the November-March period. The average annual number of additional employees needed at the resort due to the casino is estimated to be 79 with an annual payroll of \$1,679,736.

6. The expansion in occupancy rates will increase revenues in the major departments including rooms, main dining room food and beverage, room refreshments, Drapers, Old White Club, seasonal food and beverage, sports and recreation, valet/laundry, garage/motor services, telephone, retail sales, and other areas. Total revenues are estimated to increase \$13,192,000.

The above assumptions are used to estimate the economic impact associated with the operation of the casino as if it had operated in 1998.

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## **ECONOMIC IMPACT MODEL**

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The economic impact of The Greenbrier and the proposed casino were estimated using the IMPLAN input-output model. This is a standard methodology used in numerous national and regional economic impact studies. This methodology has been used by the Bureau of Business and Economic Research, West Virginia University, to estimate the economic impact of the following West Virginia businesses or industries: West Virginia Travel and Tourism Annual Impacts, West Virginia Wood Products Industry, New Georgia Pacific Plant, West Virginia High Technology Consortium and Related Federal Facilities, and West Virginia Historic Preservation and Heritage Based Tourism, among others.

The methodology quantifies the economic impact of the entity or organization based upon the financial information available and knowledge of the expenditure patterns within the region of interest. This study estimates the following types of impacts: output, employee compensation, employment, value added and assorted state taxes. Appendix A lists the definitions of these terms.

The economic impacts estimated are viewed as conservative. While they include the indirect and induced impacts from the expenditures by The Greenbrier, they exclude many unquantifiable impacts associated with the resort. These include:

1. Resort guests spend funds outside of the resort. These expenditures may take the form of gasoline purchases, additional guest nights in other West Virginia hotels, off-site meals, gifts and other retail sales.
2. Visitors to The Greenbrier are exposed to the best of West Virginia not only through the hospitality experienced during their visit but also through West Virginia Division of Tourism and West Virginia Development Office promotional videos, which are aired through their in-house television channels. Some of these individuals and organizations may make personal or investment decisions within the state as a result of their experience at the resort.
3. The Greenbrier hosts events for the West Virginia Development Office, state business community, and other economic development organizations, which results in an enhanced business climate. The Development Office has a point person in public relations for these purposes.
4. The Greenbrier provides exposure to both K-12 as well as higher education students for career opportunities in the hospitality industry. This educational experience often takes the form of summer employment. A continual partnership with Greenbrier East High School since 1985 includes a charity golf tournament, prom, and guest speakers.

5. While many employees enjoy a long tenure of employment at The Greenbrier, others have used the knowledge gained while employed there to move into key industry positions elsewhere within West Virginia. This experience has enhanced the development of the entire travel and tourism industry within West Virginia.
6. The affiliation of The Greenbrier with Tamarack has assisted in the development of the product mix and retail success of that enterprise.

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## THE ECONOMIC IMPACT OF THE GREENBRIER 1998

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The economic contributions of The Greenbrier are significant. The total economic impact of The Greenbrier on the West Virginia economy was greater than \$190 million of output in 1998 (Table 1). This activity generated more than \$79 million in employee compensation and accounted for 2,702 jobs in West Virginia.

**Table 1**  
**Economic Impact of The Greenbrier**  
**West Virginia Economy 1998**

Type of Economic Impact	Direct Economic Impact	Indirect and Induced Economic Impact	Total Economic Impact
Output (1000\$)	\$118,826	\$71,728	\$190,554
Employee Compensation (1000\$)	\$58,050	\$21,200	\$79,251
Employment (jobs)	1,581	1,122	2,702
Value Added (1000\$)	\$71,668	\$42,421	\$114,089
Total State Taxes (\$)	\$9,837,631	\$1,308,447	\$11,146,078

Note: Numbers may not sum due to rounding. State taxes include consumer sales, personal income, and corporate net income.

**Table 2**  
**Economic Impact of The Greenbrier**  
**Greenbrier County Economy 1998**

Type of Economic Impact	Direct Economic Impact	Indirect and Induced Economic Impact	Total Economic Impact
Output (1000\$)	\$118,826	\$49,788	\$168,614
Employee Compensation (1000\$)	\$58,050	\$15,032	\$73,082
Employment (jobs)	1,581	852	2,433
Value Added (1000\$)	\$71,668	\$30,002	\$101,670

Note: Numbers may not sum due to rounding.

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**THE ECONOMIC IMPACT OF CASINO GAMING AT THE GREENBRIER**

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While these impacts are large, the addition of casino gaming at The Greenbrier would increase the economic contributions of The Greenbrier. Total output impacts in West Virginia would increase nearly \$35 million due to increased activity associated with the casino (Table 3). The casino would also increase employee compensation in West Virginia by over \$10 million and total employment impacts of The Greenbrier would reach 3,061 jobs, an increase of 359 jobs. The casino would also have significant tax impacts on the state. Assorted state tax revenues would increase by \$4.9 million dollars with the addition of casino gaming at The Greenbrier.

**Table 3**  
**Economic Impact of The Greenbrier with Casino Gaming**  
**West Virginia Economy 1998**

Type of Economic Impact	Direct Economic Impact	Indirect and Induced Economic Impact	Total Economic Impact
Output (1000\$)	\$140,742	\$84,699	\$225,441
Employee Compensation (1000\$)	\$64,620	\$25,011	\$89,631
Employment (jobs)	1,736	1,326	3,061
Value Added (1000\$)	\$80,842	\$50,090	\$130,932
Total State Taxes (\$)	\$14,481,518	\$1,543,927	\$16,025,445

Note: Numbers may not sum due to rounding. State taxes include consumer sales, personal income, corporate net income and gaming taxes.



**Table 4**  
**Economic Impact of The Greenbrier with Casino Gaming**  
**Greenbrier County Economy 1998**

<b>Type of Economic Impact</b>	<b>Direct Economic Impact</b>	<b>Indirect and Induced Economic Impact</b>	<b>Total Economic Impact</b>
Output (1000\$)	\$140,742	\$58,817	\$199,559
Employee Compensation (1000\$)	\$64,620	\$17,711	\$82,331
Employment (jobs)	1,736	1,006	2,742
Value Added (1000\$)	\$80,842	\$35,380	\$116,222

Note: Numbers may not sum due to rounding.

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## APPENDIX A IMPACT DEFINITIONS

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Assorted Taxes:	West Virginia state revenues from consumer sales tax, personal income tax, corporate net income tax, and business franchise tax.
Employment:	The number of jobs in a business, industry, or region. Also the number of jobs attributable to an impact (see below). This is a measure of the number of full-time and part-time positions, not necessarily the number of employed persons. Annual average by place of work unless otherwise stated.
Employee Compensation:	Wages and salaries plus employers' contribution for social insurance (social security, unemployment insurance, workers compensation, etc.) and other labor income (pension contributions, health benefits, etc.). By place of work unless otherwise stated.
Impacts:	The results of the recirculation of funds throughout a regional economy due to the activity of a business, industry, or institution. Estimated by tracing back the flow of money through the initial businesses' employees and suppliers, the businesses selling to the employees and suppliers, and so on. Thus, they are a way to examine the distribution of industries and resources covered in the costs of the initial activity.
Output:	For most sectors, measured as sales plus net inventories and the value of intra-corporate shipments. For retail and wholesale trade, measured as gross margins (i.e. mark-ups on goods sold).
Value Added:	A measure of the value created by a business or industry, or attributable to an impact (see above). Equal to value of production minus the cost of purchased goods and services. Also equal to employee compensation plus capital income (profits, interest paid, depreciation charges) and indirect business taxes (e.g. severance, excise). Corresponds to the aggregate concepts of gross domestic product (GDP) and gross state product (GSP).