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# The South Dakota HRT Industry: Estimates of Gross Sales and Employment, 1976

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THE SOUTH DAKOTA HRT INDUSTRY:  
ESTIMATES OF GROSS SALES AND EMPLOYMENT, 1976

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SUMMARY

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In recent years much has been said about the economic importance of South Dakota's recreation-tourism industry. However, past studies have looked only at the impact of out-of-state travelers during the summer months. While this information is very important, it doesn't represent the annual volume of dollars produced by the industry.

Businesses and the State Department of Revenue do not differentiate between dollars spent by out-of-state travelers and in-state users. Annual dollar estimates for the industry in this report include total dollars produced, with no distinction made between in-state and out-of-state travelers.

For this report the industry is defined to include businesses in the area of hospitality, recreation, and tourism (HRT).

The information is presented for each county and for the state of South Dakota. It provides business people and local and state policymakers with more complete and

accurate information on the HRT industry than previously has been available.

On the basis of available statistics and previous studies, South Dakota's businesses in eating and drinking, overnight lodging, sporting goods, motion pictures, and amusement and recreation services provided employment for an estimated 20,172 people and paid about \$62,457,746 in wages during 1976.

The purely HRT businesses represented about 5.3% of the state's gross retail sales in 1976. When the retail sales of the purely HRT businesses and the retail sales of the recreation-tourism-sensitive businesses are combined, they represented about 9.2% of the state's gross retail sales in 1976. These same businesses generated about \$16,190,368 in state sales taxes in 1976.

Communities levying a local sales tax also obtain public funds from the HRT industry. However, this information is not available and is not reported in this study.

THE HOSPITALITY-RECREATION-TOURISM INDUSTRY

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When studying the economics of the hospitality-recreation-tourism (HRT) industry in South Dakota, past studies have looked only at the impact of out-of-state tourists.

In order to determine the size of the HRT industry in South Dakota, an all-inclusive definition which covers business travel-related sales, tourism-related sales, and recreation sales is

desirable. (It would also be very useful if we could separate total annual dollars generated from each of the three types of sales listed. However, this is not possible because of insufficient data.)

Total expenditures by out-of-state tourists during the months of June, July, and August were estimated at \$152,000,000 in 1976.(a)

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(a) Source: Out-of-State Travelers In South Dakota. June, July, August 1976 Business Research Bureau, School of Business, University of South Dakota.

Tourists also contributed 4¢ on the dollar to the state as tax on retail purchases and 8¢ per gallon on motor fuel. City sales tax for cities that have a tax provides additional local revenue.

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Here's data for the total HRT industry in South Dakota during the 1976 calendar year.

The HRT industry provided employment for about 20,172 people and paid about \$62,457,746 in wages during 1976 (Table 1).

As shown in Table II, the HRT industry sales are divided into two groups. The first group includes sales of purely HRT businesses. The total gross taxable sales of restaurants, hotel-motel-resorts, campgrounds, sporting goods stores, amusement and recreation establishments, and motion picture houses are summed to obtain the total sales of the purely HRT businesses.

The second group includes the recreation-sensitive sales of numerous other retail and service establishments in the state. A part of gasoline and automotive sales, as well as a part of the sales of

food and other stores are sensitive to non-resident purchases, tourism, recreation, and traveling business people.

The total sales of the two groups of businesses in the HRT industry are summarized in Table II. The HRT industry generated about \$404,762,968 in gross taxable sales during 1976 and contributed over \$16,190,368 in sales tax. The total HRT industry sales are computed as follows:

- 100% of the gross taxable sales of restaurant, hotel-motel-resorts, trailer parks, and campgrounds
- + 100% of the gross taxable sales of sporting goods stores, amusement and recreation establishments, and motion pictures
- + 6% of gross taxable sales of food stores, sales from vending machines, and drug stores (b)
- + 24% of gross taxable sales of retail gasoline and automotive sales (c)
- + 36% of gross taxable sales of liquor stores and taverns.(d)

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(b) Tourist spending on food and other retail purchases were obtained from 1973 expenditure surveys conducted by the Wisconsin Recreation Resources Center and expanded to approximate the recreation tourism component of total sales in these categories. The lowest percentage of total gross purchases in the different business categories was 6.1% of the state total, which was considered a very conservative figure and applied to all other retail categories.

Source: Gross Sales of Wisconsin's Hospitality-Recreation-Tourism Industry, 1976, University of Wisconsin.

(c) In 1969-1970 the Federal Highway Administration sponsored a U.S. Census Bureau survey into family auto usage. Defining tourism as travel by family auto to a point 50 miles or farther away from the family residence, the Census Bureau reported that 24% of total vehicle miles by personal auto were attributable to tourism purposes. This percentage, which is lower than American Automobile Association and insurance industry estimates, is adopted in this report as a conservative estimate of the relationship between tourism-recreation and automotive and gasoline sales.

Source: Gross Sales of Wisconsin's Hospitality-Recreation-Tourism Industry, 1976, University of Wisconsin.

Table I

Employment Numbers and Wages For  
Hospitality-Recreation-Tourism Businesses, 1976

<u>Category</u>	<u>Average monthly employment</u>	<u>Total wages</u>
Eating places	11,475	\$33,440,569
Drinking places	2,776	8,804,122
Overnight lodging	3,126	11,215,060
Sporting goods	224	1,147,662
Motion picture theatres	576	1,234,688
Amusement & recreation services except motion pictures	1,995	6,615,645
Total	20,172	\$62,457,746

Source: South Dakota Department of Labor, Office of Administrative Services, Aberdeen, South Dakota.

#### HOSPITALITY BUSINESSES

During 1976, the hospitality businesses generated over \$186 million in gross taxable sales and paid about \$7.5 million in state sales taxes. The gross taxable sales figures for the hospitality businesses represent 4.2% of the state's gross retail sales in 1976 (Table II). Restaurants lead other businesses in the hospitality group, with 1976 sales of over \$139 million.

#### OTHER RECREATION AND TOURISM BUSINESSES

The other recreation and tourism businesses (Group I-B) generated about \$48.7 million in gross taxable sales and con-

tributed over \$1.9 million to the state in sales taxes in 1976.

#### RECREATION-TOURISM SENSITIVE SALES

The recreation-tourism sensitive business sales (Group II) amounted to about \$170 million and contributed about \$6.8 million to state sales taxes in 1976. The gasoline and automotive businesses were the largest contributors to this group.

When summing both Group I and II together from Table II, gross taxable sales for the HRT industry in 1976 were about \$404,762,968 or 9.2% of the state's gross retail sales.

(d) The gross sales at taverns should be included as part of the purely HRT businesses. However, in South Dakota both liquor stores and taverns are grouped under one business classification. The 36% estimate is based on 30% of sales being made at beer parlors and taverns and 6% of sales by liquor stores being made by participants of the HRT industry.

Table II

Gross Sales of Hospitality-Recreation-Tourism Businesses, 1976

Group I:	<u>Taxable gross sales</u> \$	<u>Sales and use taxes paid</u> \$
<u>A. Hospitality Businesses</u>		
100% of Restaurants	\$139,343,000	\$5,573,720
100% of Overnight lodging	46,800,200	1,872,008
Total	\$186,143,200	\$7,445,728
<u>B. Other R-T Businesses</u>		
100% Sporting goods	11,088,310	443,514
100% Amusements & recreation	31,371,250	1,254,821
100% Motion pictures	6,278,886	251,133
Total	48,738,446	1,949,468
Total group I	\$234,881,646	\$9,395,196
 Group II:		
<u>Recreation-Tourism Sensitive</u>		
<u>Retail Sales</u>		
6% of Food stores	\$ 19,678,058	\$ 787,100
6% of Sales from vending machines	71,415	2,850
6% of Drug stores	3,430,140	137,179
24% of Gasoline and automotive	117,821,753	4,712,873
36% of Liquor stores & taverns	28,879,956	1,155,170
Total Group II	\$169,881,322	\$6,795,172
Total of Groups I and II	\$404,762,968	\$16,190,368



HRT INDUSTRY:  
COUNTY TOTALS

There are six types of businesses whose total sales are considered to be part of the HRT industry sales. The types of businesses in which 100% of the sales are defined as directly related to this industry are restaurants, hotels-motels-resorts, trailer parks and campgrounds, sporting goods stores, motion picture houses, and amusement and recreation establishments. The 1976 gross sales of these six businesses are summed for each county. This total provides a basis for ranking counties by volume and impact of the HRT sales during the past year.

COUNTY GROSS TAXABLE  
SALES IN SELECTED  
CATEGORIES

The gross sales in each county in the six categories are shown in column 1 of Table III. Column 2 shows the county gross HRT income in the six categories as a percent of the state's total sales for this same group of businesses. The rank of each county, based on county gross sales as a percent of the state's total sales is shown in column 3.

The first four counties with the largest gross sales in the six categories listed are also the four most densely populated areas in the state. This can be explained by the year-round nature of the sales as well as the greater concentration of people. These areas might also serve as regional trade centers for neighboring counties.

COUNTY HRT GROSS  
TAXABLE SALES

The gross taxable sales in all categories of the HRT industry are shown for each county in column 1 of Table IV. Column 2 shows the county's gross HRT income for all categories as a percent of all gross retail sales for the county in 1976.

The percentage of county gross retail sales in 1976 that came from the HRT (both the purely HRT and the recreation-tourism-sensitive categories) industry

is shown in Table IV. In 19 counties, gross taxable HRT sales accounted for at least 12% of the county gross retail sales, while 59 counties had 7% or more of their county gross retail sales coming from the HRT industry in 1976.

Only three counties (Buffalo, Custer, and Jackson) had more than 20% of their gross county retail sales derived from the HRT industry. Buffalo County had a high of about 54.3% of all county gross retail sales coming from the HRT industry. One reason for this might be that the county has a limited number of other types of business.

The volume of dollars generated in each county by the HRT industry varies considerably across the state. Even with this wide variation there are businesses in each county that do benefit from the HRT industry.

The public sector also benefits from the HRT industry in the form of state sales tax and city sales tax in those communities where there is such a tax.

For local and state policymakers, the information in this report helps to provide more accurate information on the volume of dollars generated by the HRT industry. It also can be useful in estimating changes in sales taxes collected as the total volume of dollars from the industry changes.

In many communities public policymakers may find it desirable to encourage the strengthening of the HRT industry as a benefit to both the private and public economic sector of their community or region.

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Table III. Selected Retail Sales By County and Percent of State Total Sales For the Same Businesses, 1976.

County	Gross Sales in Six Selected Categories <sup>a/</sup>		
	1976 County Gross Sales	1976 % of State Total	1976 Ranked by County
	(1)	(2)	(3)
Aurora	\$1,074,557	.46	33
Beadle	6,753,921	2.88	10
Bennett	499,632	.21	48
Bon Homme	1,238,159	.53	30
Brookings	10,711,940	4.56	4
Brown	16,477,973	7.02	3
Brule	2,851,643	1.21	16
Buffalo	333,000	.14	57
Butte	1,831,313	.78	19
Campbell	191,631	.08	60
Charles Mix	1,565,551	.67	25
Clark	585,590	.25	46
Clay	5,519,123	2.35	11
Codington	7,110,139	3.03	7
Corson	415,436	.18	50
Custer	3,672,298	1.56	12
Davison	9,188,038	3.91	5
Day	1,522,303	.65	26
Deuel	692,647	.29	42
Dewey	404,598	.17	53
Douglas	608,457	.26	44
Edmunds	425,455	.18	51
Fall River	2,164,963	.92	18
Faulk	578,024	.25	47
Grant	2,264,088	.96	17
Gregory	913,598	.39	37
Haakon	950,592	.40	36
Hamlin	358,317	.15	54
Hand	419,824	.18	52
Hanson	152,406	.06	63
Harding	117,063	.05	65
Hughes	7,060,655	3.01	8
Hutchinson	1,088,877	.46	34
Hyde	361,306	.15	55

Table III (Cont.)

Gross Sales in Six Selected Categories<sup>a/</sup>

County	1976 County	1976 %	1976
	Gross Sales	of State Total	Ranked by County
	(1)	(2)	(3)
Jackson	\$1,765,934	.75	21
Jerauld	324,166	.14	58
Jones	1,075,533	.46	35
Kingsbury	1,319,315	.56	29
Lake	2,862,137	1.22	15
Lawrence	8,519,805	3.65	6
Lincoln	1,623,221	.69	22
Lyman	832,397	.35	40
McCook	1,244,580	.53	31
McPherson	438,391	.19	49
Marshall	878,837	.37	38
Meade	3,457,652	1.47	13
Mellette	230,358	.10	59
Miner	616,017	.26	45
Minnehaha	51,867,008	22.08	1
Moody	674,123	.29	43
Pennington	45,319,835	19.29	2
Perkins	1,229,756	.52	32
Potter	828,933	.35	41
Roberts	1,800,984	.77	20
Sanborn	351,539	.15	56
Shannon	166,000	.07	61
Spink	1,619,838	.69	23
Stanley	849,979	.36	39
Sully	167,139	.07	62
Todd	20,240	.01	66
Tripp	1,395,514	.59	28
Turner	1,428,230	.61	27
Union	3,286,427	1.40	14
Walworth	1,631,937	.69	24
Washabaugh	3,000	.001	67
Yankton	6,818,209	2.93	9
Ziebach	131,495	.06	64
Total	\$234,881,646	100.02	

a/ Total sales for restaurants, hotels, motels, resorts and campgrounds, sporting goods stores, amusement & recreation establishments, and motion pictures.

Table IV.

Gross Taxable Sales Of  
Hospitality-Recreation Tourism Business<sup>a/</sup>

County	1976 HRT County Gross Taxable Sales	1976 County HRT Sales As A Percent Of All County Gross Retail Sales
	(1)	(2)
Aurora	\$ 2,087,871	15.4
Beadle	11,823,436	8.7
Bennett	1,391,752	9.1
Bon Homme	3,729,153	10.2
Brookings	15,307,856	13.0
Brown	24,649,345	8.8
Brule	5,546,486	15.9
Buffalo	363,328	54.3
Butte	4,365,435	9.0
Campbell	611,943	5.1
Charles Mix	3,890,992	8.3
Clark	1,396,855	8.4
Clay	7,637,444	14.5
Codington	12,990,124	7.7
Corson	1,113,407	13.0
Custer	4,963,438	21.6
Davison	15,074,210	8.2
Day	3,740,806	10.0
Duel	2,055,786	12.3
Dewey	1,928,180	11.6
Douglas	1,967,873	11.0
Edmunds	1,776,292	7.8
Fall River	4,219,846	14.2
Faulk	1,365,366	9.0
Grant	4,131,722	9.6
Gregory	2,986,556	9.2
Haakon	1,812,775	9.8
Hamlin	2,056,724	10.5
Hand	1,500,966	6.7
Hanson	762,314	4.2
Harding	478,434	14.1
Hughes	10,341,810	10.5
Hutchinson	4,436,918	7.9

Table IV (Cont.)

County	1976 HRT County	1976 County HRT Sales
	Gross Taxable Sales	As A Percent Of All County Gross Retail Sales
	(1)	(2)
Hyde	\$ 1,084,887	9.4
Jackson	2,739,970	28.6
Jerauld	2,082,843	12.2
Jones	2,250,457	14.9
Kingsbury	3,225,061	8.6
Lake	5,452,097	7.8
Lawrence	13,694,923	13.9
Lincoln	3,466,924	6.2
Lyman	2,270,470	15.3
McCook	3,279,240	8.1
McPherson	1,266,794	7.1
Marshall	1,690,934	5.3
Meade	5,913,439	11.7
Mellette	570,464	16.6
Miner	1,868,905	12.8
Minnehaha	81,735,650	7.8
Moody	1,890,510	6.2
Pennington	59,748,186	9.9
Perkins	2,323,045	8.4
Potter	2,288,586	8.3
Roberts	4,757,316	10.8
Sanborn	958,056	9.6
Shannon	468,750	7.8
Spink	3,403,895	10.1
Stanley	1,456,596	10.2
Sully	1,028,763	5.9
Todd	4,776,072	8.9
Tripp	556,412	7.5
Turner	3,370,936	8.4
Union	6,212,048	7.9
Walworth	4,067,260	6.6
Washabaugh	99,960	16.7
Yankton	11,754,010	7.1
Ziebach	484,126	13.0

<sup>a/</sup> Gross taxable sales of HRT businesses include all businesses listed, Table II.  
Source: South Dakota Department of Revenue, 1976.