

## **Analysis of the Economic Benefits of the Prairie Spirit Rail-Trail in Anderson, Franklin and Allen Counties of Kansas**

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In August of 1995, a 12.6-mile corridor of abandoned railroad right-of-way that traverses my father's property was donated to a responsible party under the guise of rail-banking. Since that time, I've been actively involved as an opponent to the proposed construction of a rail-trail on that abandoned corridor.

In researching rail-trails, I came across a number of documents published by rail-trail proponents that declared substantial economic benefits to the communities through which rail-trails pass. The positive economic impact figures stated in these reports are almost "too good to be true". It seemed that the trail-user statistics and related economics in these reports were grossly exaggerated. Since economic benefit is a primary speaking point of the local trail proponents, I set out to seek the truth.

Since Kansas already has three rail-trails, I decided that I could base my study on an operating trail in a rural area similar to McPherson County. Since two of trails are very short (located in Lawrence and Elkhart, Kansas, only 1 mile and 1.8 miles in length respectively) I decided to focus on the Prairie Spirit Rail-Trail in Anderson, Franklin and Allen counties.

With a current length of 33 miles, the Prairie Spirit Trail purportedly offers the local communities a "tourist attraction" that could bring in tourism related revenue that would otherwise not be available. Also, since our local responsible party frequently refers to the Prairie Spirit, it seemed to be the logical choice.

Even though I am a rail-trail opponent (my opposition stemming primarily from the unconstitutional manner in which private property is confiscated for a public purpose), this report was prepared without bias. I simply researched available information from sources that a reasonable person would deem credible, and report that information using some basic mathematical analysis and summarization.

While there are probably a number of methods in determining the actual economic impact of an operating rail-trail, I chose to look at two factors, permit sales and county sales tax revenues. Both of these values are readily available and should yield an indication as to the true economic impact. If a trail is producing the desired result, it should be reflected in the number of trail-passes sold and an increase in sales tax revenues for the affected counties.

## **Background**

Rail-trails are recreational trails constructed on abandoned railroad right-of-ways. The Prairie Spirit Rail-Trail is located in Anderson, Franklin and Allen counties of Kansas. Currently, two phases of trail construction have been completed resulting in a total of 33 miles of trail length lying between the towns of Richmond and Welda, Kansas. A third phase is planned that will add approximately 17 miles of trail connecting the towns of Welda and Iola. Phases I and II of trail construction were completed in March of 1996 and September of 1998 respectively. The trail is operated and maintained by the Kansas Department of Wildlife and Parks (KDWP).

To date, the Prairie Spirit has cost about \$3.5 million to construct with approximately \$700,000 coming from local/state sources with the remainder (80%) from Federal ISTEA funds. The proposed third phase will, if constructed, add another 17 miles at a cost of about \$1.5 million. That phase is on hold pending acquisition of matching funds.

Since some portion of the trail has been open for over four years (the initial 18 miles), trail-pass sales and county tax revenues should reflect the economic impact resulting from the presence of the trail.

## **Method of Analysis**

Portions of the permit sales as reported by the KDWP were broken down into several categories. These included: daily-permit sales (\$2.50), annual-permit sales (\$10.50), out-of-county users and local users. Using these categories and the related percentage of total sales for the months reported I was able to extrapolate user statistics for those years that KDWP did not categorize permit sales. Permit sales information spanned the period of 1996 through 1999, inclusive.

By using correction factors for daily/annual permits sales, percentage of local/visitor permit purchasers and the level of non-compliance with the voluntary permit purchase system, each years permit sales were adjusted to yield daily permit sales for out-of-community users. The resulting values should be those trail users that otherwise might not have been in the communities buying local goods and/or services.

The state-sales tax figures were used directly as reported by the Kansas Department of Revenue. Charting of the sales-tax trends was done using an X-Y chart format with 3<sup>rd</sup> order polynomial trend-lines fitted to the data. Sales tax data spanned the period of 1994 through 1998, inclusive. With a two-year trend before trail opening, and a three-year trend afterward, it should be clear as to whether the trail is producing the desired economic benefit.

## **Reported Trail Permit Sales**

Through prior written requests, the Kansas Department of Wildlife and Parks responded with letters stating trail-pass sales for the Prairie Spirit for the years 1996 through 1999. The reported sales are:

1996 – \$2113.50 (September through December only)  
1997 – \$6178.94  
1998 – \$4298.00  
1999 – \$4153.96

These trail-pass sales are divided into two types, annual (\$10.50) and daily (\$2.50). The KDWP did not break out the number of annual and daily passes except for the period of September 1996 through August 1997 for which the sales were split about 66% daily and 34% annual. The trail manager also reported a certain level of “non-compliance” with the voluntary system for purchase of daily trail passes. From September 1996 through June 1997 this non-compliance was estimated by the trail manager to be 40% (60% bought passes). In July of 1997 that level decreased to 30% (70% bought passes).

The KDWP also reported that non-county residents (90% out-of-county and 6% out-of-state) purchased 96% of daily passes. Conversely, county or city residents purchased the majority of annual permits (87% Anderson county, 12% other Kansas counties which could include Franklin and Allen counties).

Using the monetary values stated above and correcting for non-compliance, breaking out the annual passes to factor non-local usage we get:

1996 – 801 daily (extrapolated to a full year)  
1997 – 2162 daily  
1998 – 1089 daily  
1999 – 1053 daily

Based on this information, these values represent actual trail-use by out-of-county users. These should be those people that bring additional revenue into the communities that otherwise would not exist without the presence of the trail.

Using a generous 300 suitable use days/year (weather dependent), that use equates to:

1996 – 3 users/day  
1997 – 7 users/day  
1998 – 4 users/day  
1999 – 4 users/day

It would also appear that trail use for the last two years of operation has stabilized at about 4 out-of-county users per open-day.

The Rails-to-Trails Conservancy, a national, Washington, DC based organization, provides an economic impact study of three operating rail-trails that indicates each trail-user spends between \$4 and \$10 a day due to a trail. If we multiply the \$10 value by the annual number of out-of-county users stated above, we get:

1996 - \$8010  
1997 - \$21,620  
1998 - \$10,890  
1999 - \$10,530

Based on this information, these values represent the total, potential sales revenue increase due to the presence of the Prairie Spirit Rail-Trail.

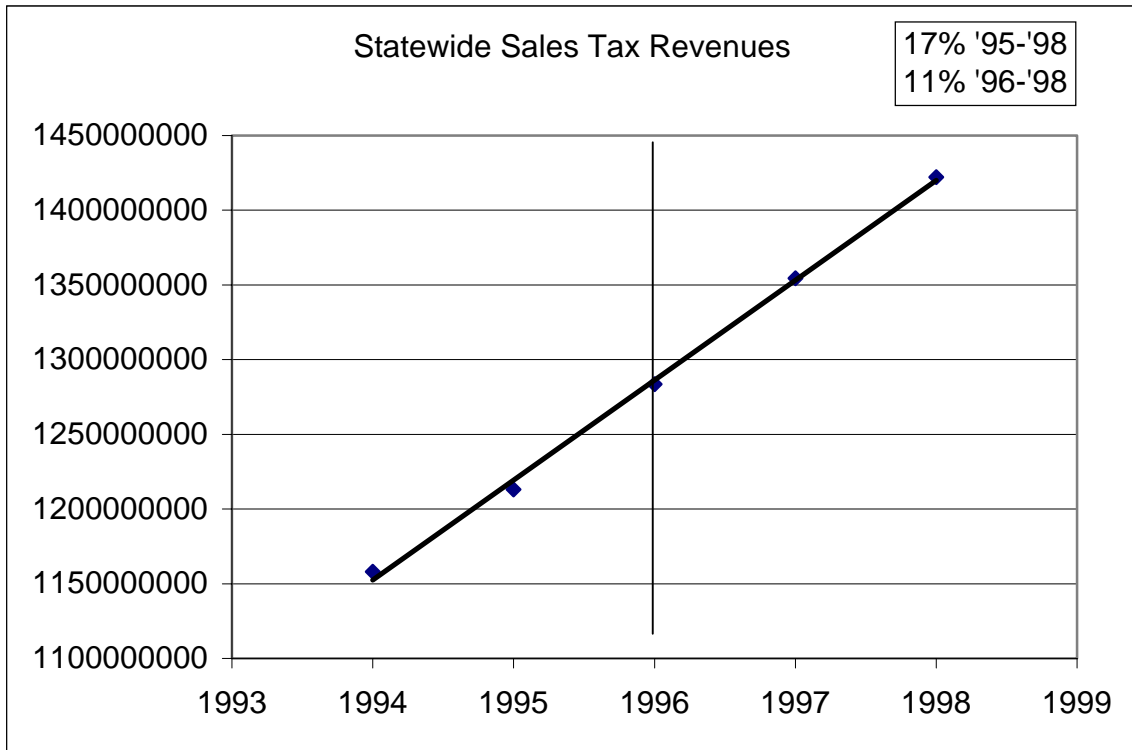
We can also calculate the amount of state, county and city sales tax revenues that result from these potential increases. Based on the 4.9% state sales tax, 1.5% county tax and .5% city tax, the tax revenues from the stated potential sales are:

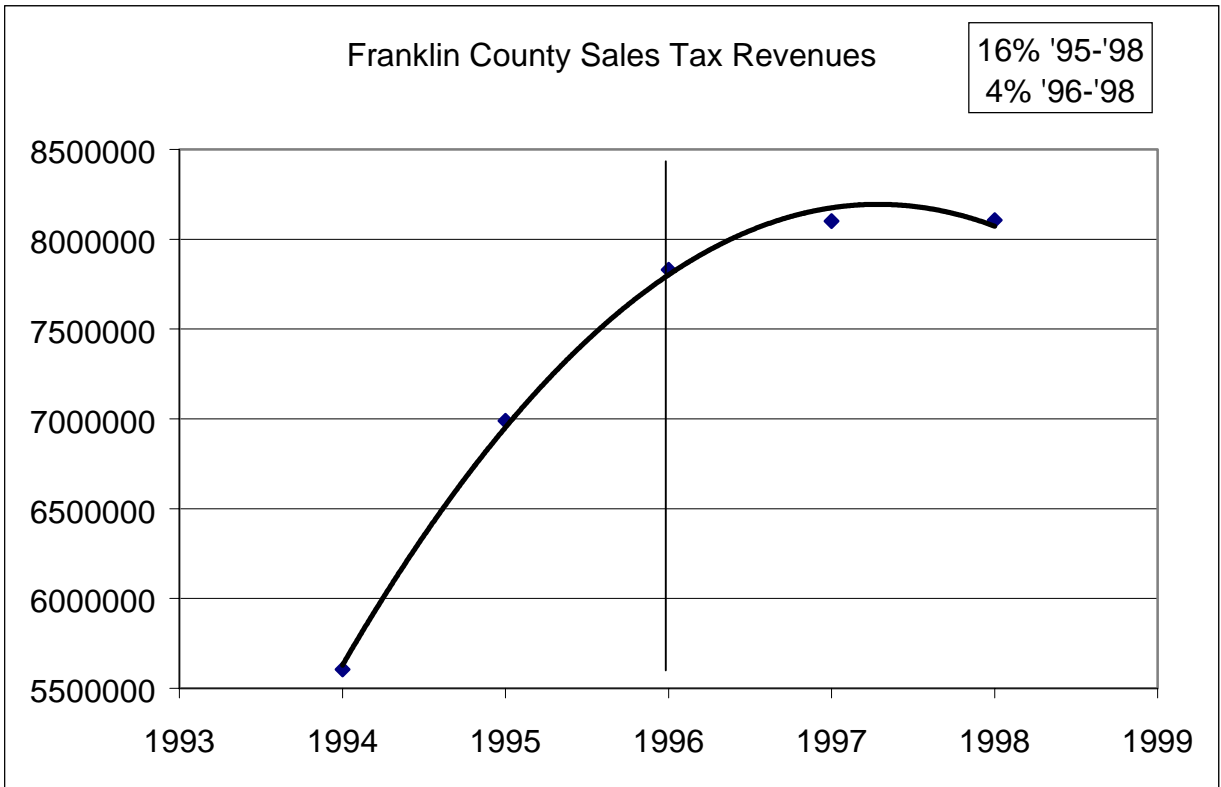
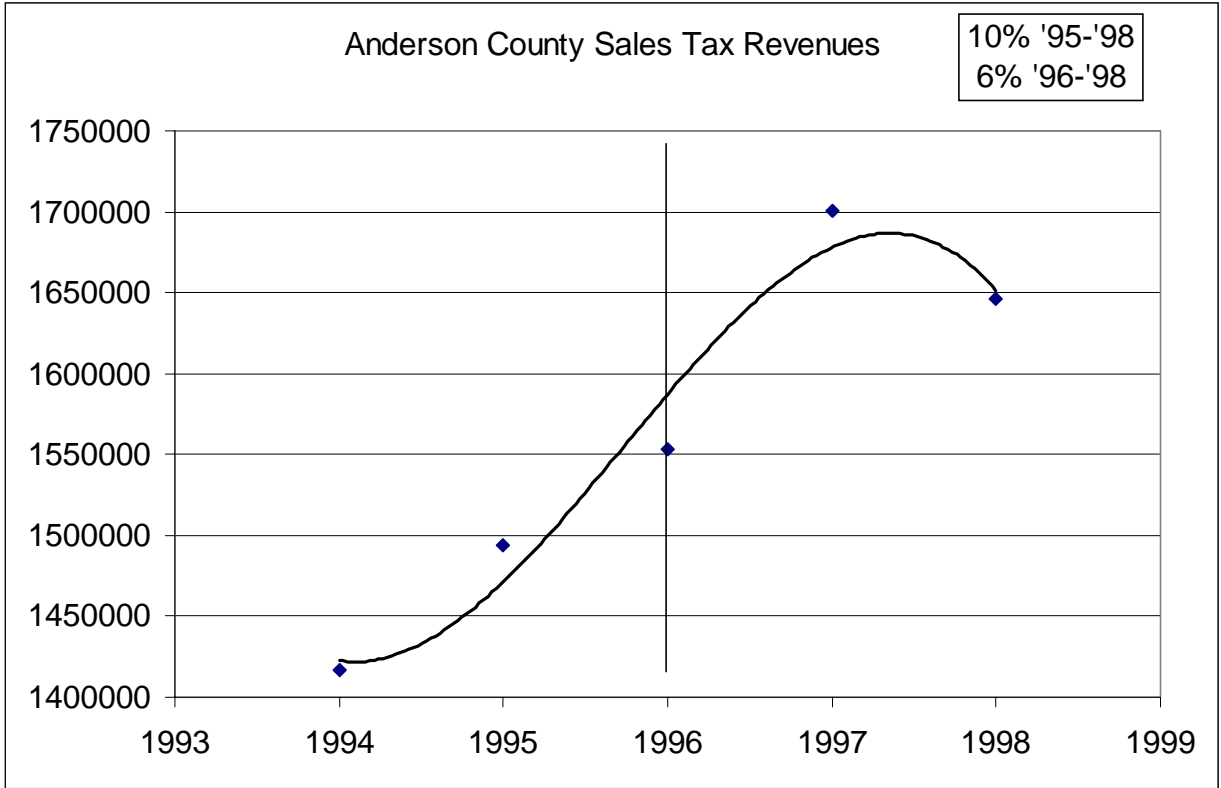
State	County	City
1996 - \$392.49	\$120.15	\$40.05
1997 - \$1059.38	\$324.30	\$108.10
1998 - \$533.61	\$163.35	\$54.45
1999 - \$515.97	\$157.95	\$52.65

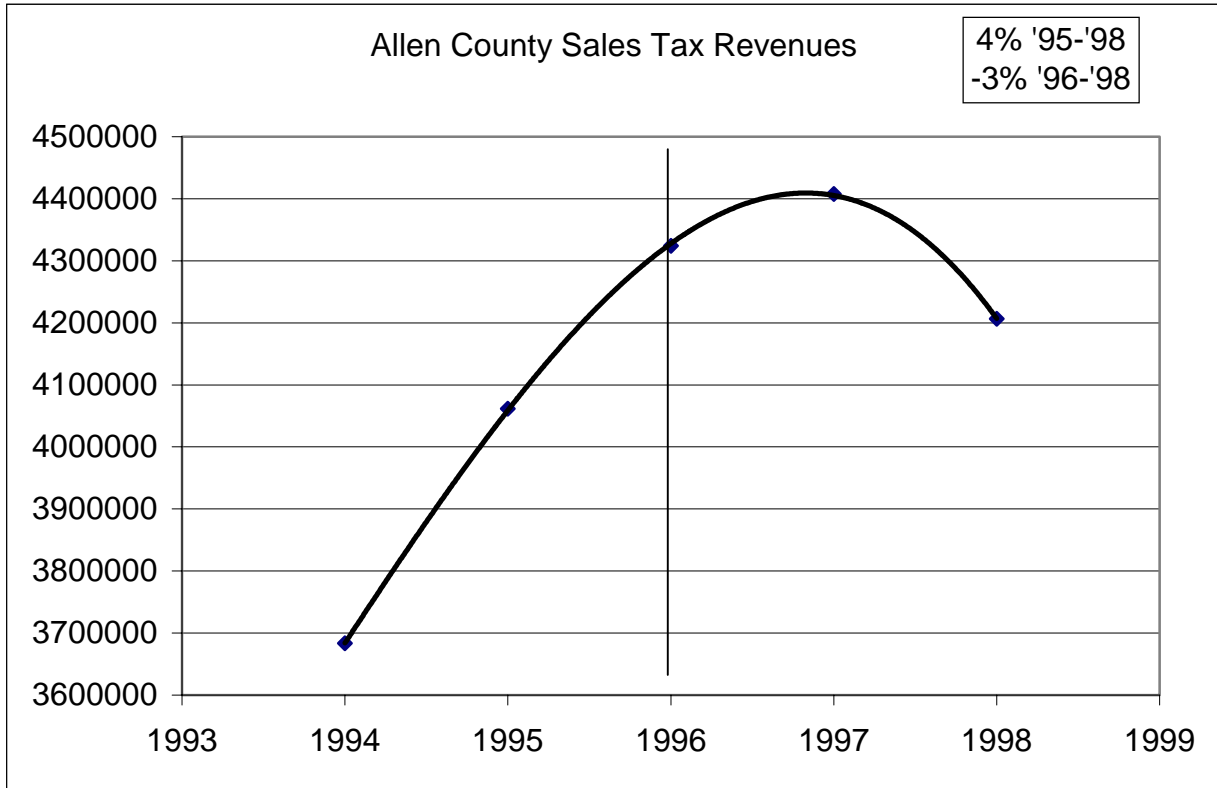
Please note, not all of the cities, through which the trail passes or connects to, have a .5% city tax, nor does each of the counties have a 1.5-% tax. I use these examples to illustrate the maximum amount of tax that would potentially be generated.

**Reported State Sales Tax Revenues (from [www.ink.org](http://www.ink.org))**

Taking this a step further, we can also look at the state sales tax revenues as reported by the Kansas Department of Revenue for each year. From this information, the following charts illustrate the sales tax trends for the entire state and for each of the counties that the Prairie Spirit passes through or connects.







What these charts appear to illustrate is that for the years of 1995 through 1998 (the Prairie Spirit opened in 1996), the three affected counties realized a sales tax revenue increase of only 11% (composite) while statewide for the same period, sales tax revenues went up 17%. Additionally, the '95 to '96 county increases appear to follow the trend from '94 to '95 (pre Prairie Spirit), while the '97 to '98 trend flattens and then starts to decline. For the affected counties, sales tax revenues from '96 to '98 grew a mere 2% while statewide revenues increased 11%. This indicates that the presence of the Prairie Spirit Trail has had no positive effect whatsoever on the local economies.

Besides having no positive economic impact on the communities, we must also consider the annual operation/maintenance costs. The operating/maintenance cost information from its opening date is somewhat incomplete; there is a full-time trail manager with an annual salary of about \$41,000. For 1996, KDWP reported additional expenses of about \$18,000 for various repairs and projects on the trail. I do not have complete information as to all of the expenses incurred for the other years.

### **Reported Users**

According to releases from KDWP, the reported user numbers for the Prairie Spirit are:

- 1997 37,872
- 1998 45,833
- 1999 52,775

There is no apparent correlation of these user numbers to the reported permit sales. Also, KDWP has not released the method used to determine these users. I believe, however, based on a personal visit to the trail, that these numbers approximate the “in-town” users that use the portion of the trail that lies within the cities as a sidewalk. In the town of Garnett, I personally witnessed a number of people using the trail/sidewalk to get to the local grocery store. Several local residents have also reported that children use the trail/sidewalk to travel back and forth to the local pool during the summer months.

At a recent meeting, the trail manager indicated that when a person uses one of the outhouses along the length of the trail, that he/she is counted as a user.

Whatever method the KDWP employed, it does not appear to yield an accurate indication of the actual users that use the rural portion of the trail (about 95% of its length and cost) and that would potentially bring additional revenue into the community.

### **Original Justification for Trail Construction**

In a report from the Friends of the Prairie Spirit Rail-Trail, it was stated that KDWP claimed the trail would:

- Have 135,000 users per year
- Bring in 100 new tourists per day
- Increase tax revenues by \$78,000
- Support 156 school children
- Provide a \$777,000 increase in personal income
- Generate \$1,120,000 in additional retail sales
- Support 7 new retail outlets

These statements appear to generate from the aforementioned study of three operating rail-trails. If one uses the report as written, the impact stated by KDWP would appear to be correct. However, those that researched and wrote the report admitted to falsifying the user numbers by multiplying the actual numbers by a factor of almost 10 grossly exaggerating the actual impact.

### **Summary**

From the available information, it appears that the Prairie Spirit Rail-Trail has had no positive economic impact on the communities that it passes through or connects. Permit sales provide about 1/10 of the management and maintenance costs with the remainder provided from state funds. Out-of-community users are steady at about 4/day for the last two years with a decline of 36/year from 1998 to 1999. Considering only the trail-manager’s annual salary, and factoring permit sales and potential state sales tax revenues, the Prairie Spirit trail results in an annual deficit to the state of about \$36,000. Further, the potential sales revenue could not support one retail outlet or even a single part-time employee working for minimum wage.