

Fayette County

History and Population¹

Fayette County was founded in 1831 by the Act of the Virginia General Assembly. The county was formed from parts of Greenbrier, Kanawha, Logan and Nicholas counties. Both the county and county seat, Fayetteville, were named after the French Military hero and American ally during the American Revolutionary war, Marquis de LaFayette. Fayette County is approximately 666.5 square miles and borders Kanawha, Greenbrier, Nicholas and Raleigh Counties. Major cities include Oak Hill, Ansted, and Montgomery. Tourism is a major component of the economy. Located within the county are the New River Gorge Bridge, Canyon Rim Visitor's Center, Babcock State Park, Hawk's Nest State Park, and numerous rafting companies. Coal, ferro-alloys, and lumber are the leading industries. Livestock and dairying are the chief agricultural products.

Fayette County's population has been declining in recent years. In 1980, the population of Fayette County was 57,863. In 1990, the population of Fayette County decreased by almost 10,000 people to 47,952. Since then, the 1999 population estimate has decreased, but not at such a significant rate, to 46,785. The 1990 U.S. Census reported 85.7 percent of the county residents lived in rural areas, with the remaining 14.3 percent residing in cities. The Census also reported the county to be predominately white, with 93.2 percent Caucasian. African-Americans made up less than a tenth of the population with 3,017 residents. Overall, Fayette County can be described as a typical central Appalachian county.

Education

In 1998 the Fayette County educational system was made up of nineteen elementary schools, seven middle or junior high schools, seven high schools and one vocational center. There is only one higher education facility in Fayette County, the *West Virginia University Institute of Technology* (partially located in Kanawha County). The closest higher

¹All data obtained from internal Center estimates (baseline and simulations) or from the following publicly available sources: *West Virginia Blue Book 1997*, *U.S. Census*, *U.S. Bureau of Labor Statistics*, *WV Bureau of Employment Programs Labor Market Information and County Profiles*, *WV Department of Education Reports Cards*, *U.S. Census American Factfinder*.

education institutions are the *College of West Virginia* in Raleigh County, the *Appalachian Bible College* in Raleigh County, and the *University of Charleston* in Kanawha County.

The 1990 U.S. census reported only 57.1 percent of residents twenty-five years or older were high school graduates, well below the state average of 66 percent and even further below the national average of 77.6 percent. Of those with a high school degree, only 8.8 percent were college graduates.

The Economy

Fayette County has one highway system (64/77), two US Routes (Corridor L - 19, 60), and nine WV Routes (6, 16, 20, 39, 41, 61, 82, 211, 612). Motor and parcel freight are available within the county. There are four different railroad systems (CSXT; Nicholas, Fayette and Greenbrier; AMTRAK; and Norfolk and Southern) and three airports (New River Gorge Airport, Fayette Airport and G. Lee Massy Airport) located in Fayette County. Automobile registration in the county has remained almost constant for the past decade at roughly 38,400. The U.S. highway system provides a modest source of coal transport from the county, while the bulk of coal is transported by rail.

The largest employers in 1999 were the *Fayette County Board of Education*, *Elkem Metals Company*, *West Virginia University*, *Mt. Olive Correctional Complex*, and *Montgomery General Hospital*. The 1990 U.S. Census reported 14,337 workers living in the county; 64.6 percent worked within the same county, 30.7 percent in other counties and 2.2 percent outside the state. The 1999 unemployment rate was 9.9 percent, higher than the state average of 6.6 percent and more than double the national average of 4.1 percent.

The three leading industries with the most workers in 1998 were services, government, and retail trade. The highest paid industries were mining, manufacturing, and wholesale trade. Coal mining employs just 4 percent of the labor force yet compensates its employees over 31 percent more than the second highest paying industry, manufacturing. The average annual wage in Fayette County was \$21,842, much lower than the average for coal mining. The county's largest levels of employment were in government (all levels), services and retailing. Significantly, of the counties included in this study, Fayette enjoys a considerable manufacturing

base with over 1,000 workers. Similarly, there were an unusually high level of retail sales (\$285 million) for the counties included in the study. See Table 1.

Table 1
1998 Employment and Wages, by Industry

Industry	Employment	Average Annual Wages (\$)
West Virginia	678,568	25,278
Fayette County	12,862	21,842
Mining	508	49,180
Construction	548	18,243
Manufacturing	1,004	37,379
Transportation & Public Utilities	634	26,137
Wholesale Trade	285	28,252
Retail Trade	2,446	13,640
Finance, Insurance, and Real Estate	395	20,427
Services	3,520	18,016
Government	3,508	22,425

Table 2 illustrates the structure of the mining industry in the county. These data, from 1999, offer the most recent count of mining and mining related firms in the county. Their average sales and the average number of employees illustrate the distribution of firm size in the county. The issues of firm size and regional *economies of scale* are discussed in more detail in Chapter 3 and Appendix C of this study.

Table 2
The Structure of Coal Mining in Fayette County (1999)

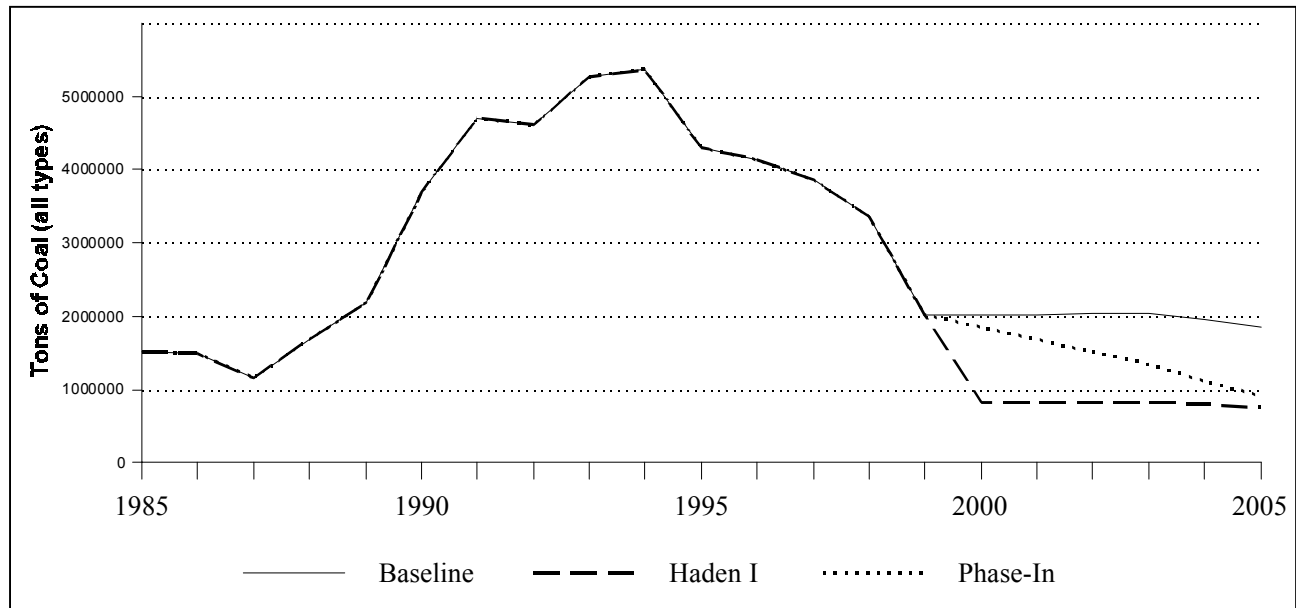
Activity	# of Firms	Mean Employees	Average Sales (\$million)
Bituminous coal and lignite-surface mining	1	1	0.1
Bituminous coal surface mining	3	57	0.7
Bituminous coal and lignite loading and preparation	3	52	4.1
Bituminous coal-underground mining	1	2	0.1
Coal mining services	16	53	62.4

Note: This is the most current firm structure available.

Forecast and Simulations

Using the method described in the main text of this study we estimate the baseline forecast of economic activity surrounding coal production in the county for 2000. From this we also constructed two simulations, that of a phased in Haden Decision (effectively restricting new surface coal permits) and a restrictive Haden Decision (which limits any valley fill activity by surface mining operations). This baseline forecast is a benchmark against which the effects of pending litigation may be judged. The benchmark and two simulations appear in Figure 1.

Figure 1
Fayette County: Baseline and Simulations



The Baseline

The effect of current regulation and market influences on the production of coal in Fayette County are illustrated in a baseline forecast. The expected baseline forecast would result in increases in wages, employment, and output in Fayette County. Our projection shows Fayette as one of only three counties to enjoy increased coal output in 2000. However, as Table 3 illustrates this increase is quite modest.

Table 3
Fayette County: Baseline

Industry	Employment	Wages	Output
Agriculture	0	20	70
Mining	1	49,000	130,000
Construction	0	1,000	3,000
Manufacturing	0	300	1,000
TCPU	0	2,000	6,000
Trade	0	4,000	8,000
FIRE	0	600	4,000
Services	0	4,000	8,000
Other	0	80	70
Total	+1	+\$61,000	+\$160,000

Note: figures may not sum due to independent rounding and exclusion of some minor categories. TCPU is transportation, communications and public utilities, FIRE is finance, insurance and real estate.

The Haden Decision Phase-In

In our first simulation we assume that the pending litigation described in the Haden Decision is phased-in. This phase-in results in no further valley fill permits approved for surface mines. The remaining time each currently approved seam can be mined has not been the subject of research; however, we feel that assuming a seven year life-span of each seam conservatively estimates the period of phase-in of the Haden Decision. The expected Haden Decision phase-in simulation would result in decreases in wages, employment, and output in Fayette County. The effects are illustrated in Table 4.

Table 4
Fayette County: Haden Decision Phase-In

Industry	Employment	Wages	Output
Agriculture	1	5,000	18,000
Mining	121	5,929,000	32,913,000
Construction	4	72,000	651,000
Manufacturing	3	77,000	372,000
TCPU	11	445,000	1,505,000
Trade	56	946,000	2,160,000
FIRE	8	141,000	1,073,000
Services	50	1,047,000	2,098,000
Other	2	19,000	19,000
Total	-256	-\$8,681,000	-\$40,809,000

Note: figures may not sum due to independent rounding and exclusion of some minor categories. TCPU is transportation, communications and public utilities, FIRE is finance, insurance and real estate.

In addition to the commercial losses outlined above, decreased demand for public services combined with revenue shortfalls are predicted to generate a loss of 78 public sector jobs under this scenario. This impact is unlikely to occur immediately, but should affect later years. This impact is a static, one year scenario, as it does not evaluate the impact on later public sector employment.

The Restrictive Haden Decision

If the currently pending litigation results in a full closure of all mines in which valley fill activities occur, this would result in the loss of virtually all surface mining. The forecasted outcome would result in decreases in wages, employment, and output in Fayette County. The effects are illustrated in Table 5.

Table 5
Fayette County: Restrictive Haden Decision

Industry	Employment	Wages	Output
Agriculture	2	19,000	67,000
Mining	451	22,180,000	122,508,000
Construction	40	955,000	2,423,000
Manufacturing	12	287,000	1,385,000
TCPU	40	1,658,000	5,601,000
Trade	200	3,522,000	8,042,000
FIRE	30	526,000	3,995,000
Services	200	3,899,000	7,808,702
Other	9	71,000	7,000,000
Total	-984	-\$33,117,000	-\$158,829,702

Note: figures may not sum due to independent rounding and exclusion of some minor categories. TCPU is transportation, communications and public utilities, FIRE is finance, insurance and real estate.

Absent from Table 5 are an additional public sector job loss of 293 positions. This impact would result from a net decline in demand for public services as well as a loss of revenues from the sources outlines above.

Of course, the Haden Decision phase-in and the restrictive Haden Decision simulations converge at seven years, or the beginning of 2007. The impact of this affects the aggregate employment, output and wages within the counties. The impact on individual firms is more difficult to simulate.

A potential impact on the number of firms in a sample set of industries in Fayette County is illustrated in Table 6.

Table 6
Fayette County: Selected Restrictive Haden
Decision Induced Firm Losses

Industry	Job Losses	Total Employment	Total Firms (1999)	Potential Firms Lost
Motor Freight Transportation/Warehousing	5	190	31	2
Wholesale Trade	10	259	35	5
General Merchandise Stores	6	599	17	2
Food Stores	9	569	54	3
Automotive Dealers and Service Stations	7	371	40	3
Eating and Drinking Places	12	659	56	5
Miscellaneous Retail	7	377	105	7
Hospitals	7	560	2	0

The Impact on Public Services

The Full Haden Decision may potentially impact not only the private sector jobs, wages and output, but also the public sector which supports them. While a full accounting of the change in both tax revenues and expenditures is outside the scope of this study, it seems apparent that a loss in employment will dramatically affect the county (a loss of roughly 293 public sector jobs). Building from considerable recent historical evidence, the dramatic decline in jobs, due to the Haden Decision, will reduce demand for key public services through out-migration. Indeed, there is little evidence that the potential decline in employment following these events will differ substantially from that of the early 1980's. This means that the jobs lost through the dissipation of coal mining activity will not be absorbed in other sectors. The highly skilled workers displaced in Fayette County however will find ample similar opportunities elsewhere. A simple adjunct to this simulation is to estimate the declining demand for public education caused by this impact. Declines in employment have continued to reduce public school enrollment. Potential out-migration due to the restrictive Haden Decision may result in a decline in enrollment of 1.9 percent (or roughly 146 of 7,775 students in the county). The rate at which this occurs is outside the scope of this study. This impact will have relatively dramatic implications regarding the staffing and potential consolidation of schools within the county. The impact on severance taxes is also quite dramatic. We expect that under this scenario the State would see a decline of

Severance Tax revenues from the county at roughly \$4,777,000 of which \$3,583,000 would be directly lost to the county. Given the county's property tax revenues (\$18 million on \$871 million of assessed property) there is not an obvious adequate source for replacement revenues. The impact on property taxes and revenues other than severance taxes has not been estimated in this study.

Summary & Conclusions

The impacts on Fayette County described in this section reflect our best estimate of the baseline forecast and simulated effects of the Haden Decision given its two potential outcomes of litigation. The impacts outlined here are conservative, and are not intended to be alarmist, but instead seek to offer planning guidance to local planning officials, both public and private. Clearly a comparison with other counties suggests that the impact on coal production in Fayette county is modest. However, this analysis does not include the cross border commuting from Fayette County that is a hallmark of the county's labor force. Hence any impacts on the adjacent counties will also influence Fayette County.