

Nicholas County

History and Population¹

Nicholas County was formed in 1818 from parts of Kanawha, Greenbrier and Randolph Counties, and named for Wilson Cary Nicholas, Governor of Virginia from 1814-1816. The county, approximately 656 square miles, is north of Greenbrier County and abuts Webster, Clay, Fayette and Braxton Counties. The county seat is Summersville. Other towns include Richwood and Craigsville. The leading industries are coal, lumber, livestock and river rafting.

In 1990, Nicholas County had a population of 26,775. Between 1980 and 1990, Nicholas County lost 4.8 percent, or 1,351 people. Unlike many of the counties in this study, the 1999 population estimate reported an increase to 27,526 residents. Over 77 percent of the population reside in a rural area and less than 1 percent of the population is non-white.

Education

In 1998, Nicholas County had eleven elementary schools, two middle schools, two high schools, and one vocational school. There are no higher education institutions in the county. The nearest colleges are the *West Virginia University Institute of Technology* in Fayette and Kanawha Counties, the *University of Charleston* in Kanawha County, *West Virginia State College* in Kanawha County and *Marshall University* in Cabell County.

In 1990, only 30 percent of people eighteen years of age or over were high school graduates. This is much lower than the state average of 66 percent or the national average of 77.6 percent. Almost one half of Nicholas County residents had less than a ninth grade education. Only 5.3 percent of the population had a Bachelor's degree or 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*.

The Economy

There are one US Route (Corridor L - 19) and seven WV Routes (16, 20, 39, 41, 82, 129, 150) within Nicholas County. The local system of highway mileage totals 509 miles. Expressway, truck lines, and feeder systems total 172 miles. Motor freight carriers and bus and parcel services are available. There are three airports (Richwood Municipal Airport, Summersville Airport, and Herald Airport) and three railroads (CSXT, Norfolk and Southern, and Nicholas, Fayette, and Greenbrier). The nearest navigable river is the Kanawha River.

In 1998, 82.2 percent of workers residing in Nicholas County worked in the county while 14.3 percent worked in another county. This makes Nicholas County less commuter prone than many of the counties in our study. The level of automobile registration has remained nearly constant in the 1990's hovering at roughly 24,000. The single largest employers of 1999 include the *Nicholas County Board of Education Summersville Memorial Hospital, Columbia West Virginia, Inc., Wal-Mart Stores, Inc., and Nicholas-Clay Company*. The 1998 unemployment rate was 9.7 percent, higher than the state average of 6.6 percent and double the national average of 4.1 percent.

The industry that pays the highest wages in Nicholas County is mining, at \$42,618, yet employs only 7 percent of workers. The economy is more diversified than most southern West Virginia counties, and employs substantial amounts of people in manufacturing and retail trade. The industrial sector with the highest number of employees, retail trade, also has the lowest average annual wage, \$12,664. That is partly due to high numbers of part time employees in the sector. The retail trade sector enjoyed sales of over \$256 million in 1999. The mining industry generates over \$24 million in total wages, or about 14 percent of the total wage revenue of the entire county, see Table 1.

Table 1
1998 Employment and Wages, by Industry

Industry	Employment	Average Annual Wage (\$)
West Virginia	678,568	25,278
Nicholas County	8,002	21,119
Mining	566	42,618
Wholesale Trade	233	27,406
Construction	345	24,880
Transportation and Public Utilities	500	24,415
Government	1,789	23,607
Manufacturing	1,072	22,402
Finance, Insurance and Real Estate	209	21,020
Services	1,210	17,142
Retail Trade	2,057	12,664

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 Nicholas County (1999)

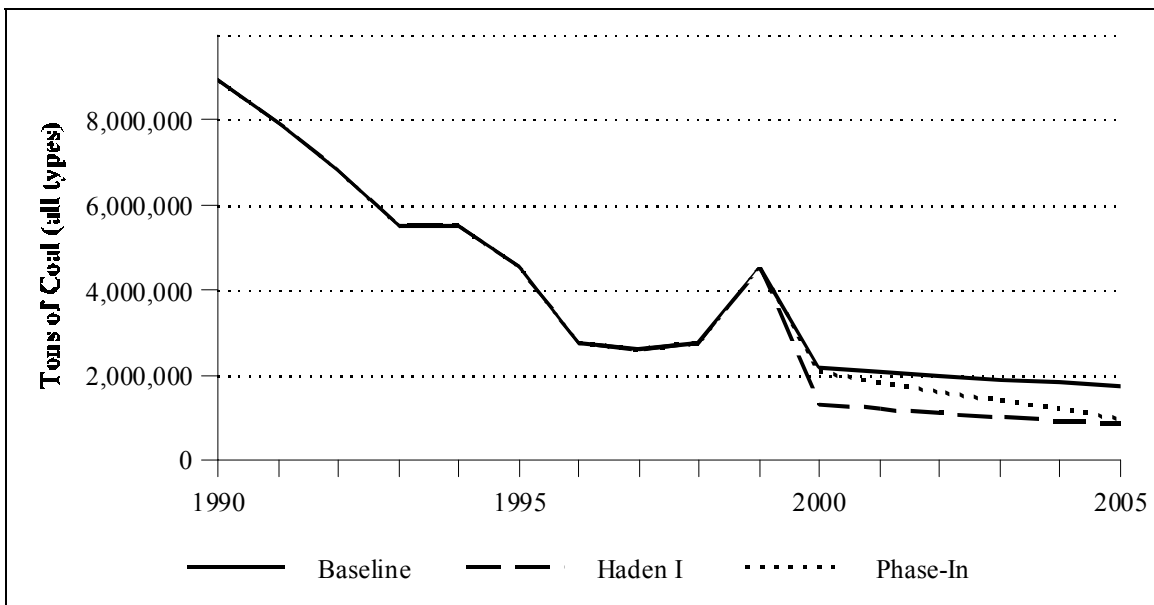
Activity	#of Firms	Mean Employees	Average Sales (\$millions)
Bituminous coal and lignite-surface mining	2	27	3
Bituminous coal surface mining	1	N/A	N/A
Bituminous coal and lignite loading and preparation	1	134	21.7
Bituminous coal-underground mining	5	78	10.4
Coal mining services	2	13	1

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
Nicholas County: Baseline and Simulations



The Baseline

The effect of current regulation and market influences on the production of coal in Nicholas County are illustrated in a baseline forecast. The expected baseline forecast would result in decreases in wages, employment, and output in Nicholas County. The effects are illustrated in Table 3.

Table 3
Nicholas County: Baseline

Industry	Employment	Wages	Output
Agriculture	5	47,000	88,000
Mining	290	12,359,000	70,809,000
Construction	24	970,000	2,045,000
Manufacturing	8	215,000	927,000
TCPU	28	1,086,000	3,851,000
Trade	149	2,521,000	5,824,000
FIRE	20	378,000	3,164,000
Services	99	1,893,000	4,211,000
Other	4	29,000	29,000
Total	-627	-\$19,498,000	-\$90,948,000

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 impact outlined in Table 4, we expect a public sector job loss of roughly 151 jobs in public safety, education and administration due to a decline in the demand for public services and a loss in revenues from the decline in coal production.

The Haden Decision Phase-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 Nicholas County, see Table 4.

Table 4
Nicholas County: Haden Decision Phase-In

Industry	Employment	Wages	Output
Agriculture	5	46,000	87,000
Mining	306	13,041,000	70,808,000
Construction	25	970,000	2,044,000
Manufacturing	8	215,000	926,000
TCPU	30	1,085,000	3,851,000
Trade	157	2,521,000	5,823,000
FIRE	21	378,000	3,164,000
Services	105	1,892,000	4,211,000
Other	5	29,000	29,000
Total	-662	-\$20,177,000	-\$90,943,000

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.

Additionally, we expect a public sector impact entailing a loss of 159 education, public safety and administration jobs within the county.

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 Nicholas County. The commercial effects are illustrated in Table 5. In addition to these commercial effects we expect a public sector job loss of 207 positions in education, public safety and administration.

Table 5
Nicholas County: Restrictive Haden Decision

Industry	Employment	Wages	Output
Agriculture	7	60,000	113,000
Mining	399	17,004,000	92,233,000
Construction	33	1,263,000	2,663,000
Manufacturing	10	280,000	1,206,000
TCPU	39	1,414,000	5,016,000
Trade	204	3,284,000	7,585,000
FIRE	27	492,000	4,121,000
Services	136	2,465,000	5,485,000
Other	6	37,000	37,000
Total	-861	-\$26,299,000	-\$118,459,000

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.

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. Firm response to decreased demand can result in lay-offs, a shift in the focus of the firms activity or a complete closure of the firm.

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

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

Industry	Job Losses	Total Employment	Total Firms (1999)	Potential Firms Lost
Motor Freight Transportation/Warehousing	17	276	34	10
Wholesale Trade	37	369	44	13
Building Materials and Gardening	10	166	15	5
General Merchandise Stores	21	498	12	6
Food Stores	36	422	26	9
Automotive Dealers and Service Stations	21	193	33	9
Eating and Drinking Places	50	531	35	12
Miscellaneous Retail	22	211	54	15
Banking	11	94	8	1
Real Estate	15	75	23	6
Hotels and Lodging	20	134	12	4
Doctors and Dentists	13	130	23	4
Legal Services	12	50	11	6
Engineering - Architectural Services	11	31	3	2

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. 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 Nicholas County however will find ample similar opportunities elsewhere. 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 10.7 percent (or roughly 508 of 4,761 students in the county). The rate at which this occurs is outside the scope of this study. This impact will have dramatic implications regarding the staffing and potential consolidation of schools within the county.

The fiscal impact on the County is profound. Severance Tax accrual to the State, under the final scenario would result in a decline of over \$3.5 million of which the County's direct share would be just under \$2.7 million. The County's property tax assessment is \$645 million of which taxes in the amount of \$10.4 million are levied. There is no apparent mechanism to adequately recoup these revenue losses. The impact on property taxes and revenues other than severance taxes has not been estimated in this study.

Summary & Conclusions

The impacts on Nicholas 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 Nicholas County is modest. Indeed, the total coal production in Nicholas County is a modest proportion of that of surrounding counties. However, this analysis does not include the cross border commuting from Nicholas County that is a hallmark of the county's labor force. Hence, any impacts on the adjacent counties will also influence Nicholas County.