

## Appendix 7-A: Broad Economic Overview of Beaufort County

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There is a seemingly endless supply of economic indicators available to try to gauge the performance of a national, state, or local economy. Indeed, there are so many statistics available that observers can be led astray by trying to assimilate all of the available information. Adding to the potential confusion is the fact that the ‘performance’ of an economy can be judged over a relatively short period of time, or over a relatively long period of time. The purpose of this section is to provide as concise of an economic overview as possible to provide context for the performance of Beaufort County’s economy both currently and over the past decades. From the perspective of planning for economic growth, it is important to understand not just how a local economy is performing currently, but also what the major trends have been over a historical period that have contributed to the county’s current economic situation.

The broad overview provided here will detail data that can be placed in one of two broad categories. The first includes economic data that describe the size of the Beaufort economy and how it has grown over time, including total income and total employment. However, it is also necessary to place these statistics in context by looking at data that help describe the quality of life for the local area and how it may have changed over time, including measures of per capita income, average wages, poverty rates, and unemployment rates.

### *Personal Income and Employment*

One of the broadest measures of economic activity at the county level is personal income. Personal income data provide an estimate of income from all sources flowing annually to county residents. During 2005, total personal income in Beaufort County was \$5,425,993,000.<sup>1</sup> Total personal income statewide stood at \$120.1 billion in 2005. Beaufort’s \$5.4 billion in personal income ranked the county 8<sup>th</sup> statewide in terms of the level of total personal income, as shown in Figure 1.

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<sup>1</sup> All personal income data are provided by the U.S. Bureau of Economic Analysis.

# Figure 1. Total Personal Income, Top Ten S.C. Counties

2005 data, in \$millions

Rank	County	Personal Income
1	Greenville	\$12,930,894
2	Charleston	\$11,254,449
3	Richland	\$10,773,410
4	Lexington	\$7,418,140
5	Spartanburg	\$7,110,883
6	Horry	\$6,094,976
7	York	\$5,685,147
<b>8</b>	<b>Beaufort</b>	<b>\$5,425,993</b>
9	Anderson	\$4,726,306
10	Aiken	\$4,264,267

Total personal income is comprised of three distinct sources of income: 1) labor earnings, 2) dividends, interest and rent, and 3) government transfer payments to individuals. During 2005, total personal income in Beaufort was made up of \$3.0 billion in labor earnings, \$1.7 billion in dividends, interest and rent, and \$0.7 billion in transfer payments. Statewide in 2005, labor earnings accounted for 67 percent of total personal income. In Beaufort County, labor earnings accounted for just 56.1 percent of total income, placing the county 40<sup>th</sup> out of 46 counties. Meanwhile, dividends, interest and rent made up 30.6 percent of all income in Beaufort County. This was the highest percentage in the state, and more than doubled the statewide average of 14.3 percent. Meanwhile, Beaufort County ranked 46<sup>th</sup> in terms of the share of transfer payments in total income. Transfer payments accounted for 13.3 percent of all income in the county compared with a statewide average of 18.7 percent.

What do these various statistics reveal? Generally, variation across counties in the fraction of total income due to labor earnings is caused by the variation in a combination of labor force participation, unemployment, and average wages across counties. County differences in dividends, interest and rent payments are largely driven by differences in wealth, real estate values, and the size of the retiree population. Finally, differences in the relative importance of transfer payments are largely driven by differences in poverty, unemployment, wages, and the reliance on government social support programs.

A look at Beaufort's positioning in terms of the sources of total income reveals the unique nature of Beaufort's economy. The county ranks towards the bottom in terms of the share of personal income derived from labor earnings, as shown in Figure 2. Joining Beaufort in this ranking are primarily poor counties that in turn rely heavily on government transfer payments to provide income to residents, as illustrated in Figure 3 which provides the top ten counties in terms of the importance of government transfers (again, Beaufort ranks 46<sup>th</sup> out of 46 counties in this measure). Making up for these differences is the fact that Beaufort residents rely so heavily on dividend, interest and

rental payment as a source of income, the top ten counties for this measure are given in Figure 4.

**Figure 2. Labor Earnings Share of Total Personal Income, Bottom Ten S.C. Counties**  
2005 data

Rank (of 46)	County	Labor Earnings Share
37	Barnwell	58.5%
38	Marlboro	58.3%
39	Williamsburg	57.4%
<b>40</b>	<b>Beaufort</b>	<b>56.1%</b>
41	Bamberg	56.1%
42	Marion	55.4%
43	Clarendon	55.4%
44	Allendale	54.8%
45	Georgetown	53.7%
46	McCormick	48.8%

**Figure 3. Transfer Payments Share of Total Personal Income, Top Ten S.C. Counties**  
2005 data

Rank	County	Transfer Payments Share
1	Allendale	34.7%
2	Marion	34.1%
3	Williamsburg	32.8%
4	McCormick	32.7%
5	Bamberg	32.6%
6	Marlboro	32.0%
7	Dillon	31.6%
8	Lee	31.4%
9	Clarendon	31.3%
10	Barnwell	29.5%

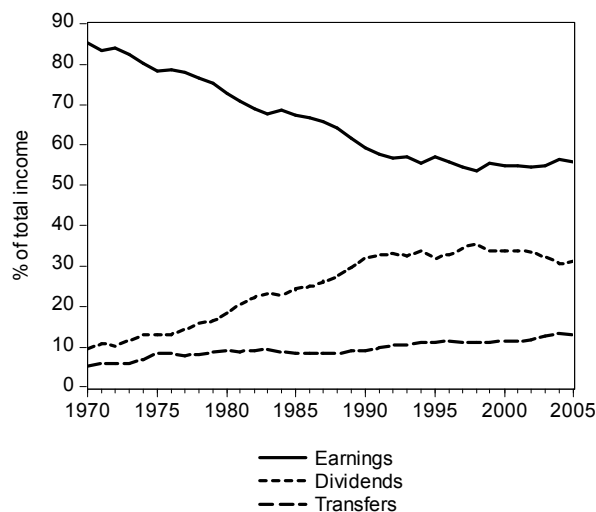
Figure 4. Dividends, Interest and Rent Share of Total Personal Income, Top Ten S.C. Counties  
2005 data

Rank	County	DI&R Share
1	Beaufort	30.6%
2	Georgetown	22.2%
3	McCormick	18.5%
4	Oconee	18.1%
5	Charleston	17.9%
6	Horry	16.5%
7	Greenville	14.9%
8	Greenwood	14.7%
9	Aiken	14.6%
10	Richland	13.9%

Taken together, these personal income statistics indicate the importance of retirees in the Beaufort County economy. The presence of a large retiree population has substantial implications for local economic development in terms of the type of industry moving into the area. This issue will be addressed in more detail subsequently.

How have these income trends developed over time? The reliance on dividend and interest types of income in Beaufort County primarily emerged between the early 1970s and the early 1990s as the relative reliance on labor earnings fell steadily. These trends between 1970 and 2005 are shown in Figure 5. Between 1970 and 1992, the share of total income derived from labor earnings fell from 85.3 percent to 56.7 percent. Between 1992 and 2005, this labor earnings share has remained roughly constant.

Figure 5. Beaufort County Personal Income Components  
1970 - 2005



Meanwhile, the share of dividends, interest and rent surged from 9.5 percent in 1970 to 33.1 percent during 1992. Again, this share has remained fairly constant since 1992.

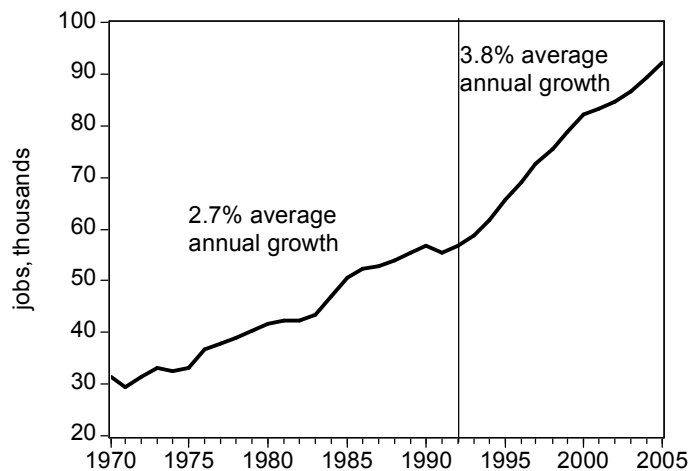
The share of government transfer payments has grown slightly over the full period, from about 5.2 percent in 1970 to 13.3 percent in 2005. These transfer payments include a wide range of government programs, including Social Security, Medicaid and Medicare benefits, as well as unemployment insurance and income maintenance benefits.

The differences in these income trends between the earlier (1970-1992) period and the more recent period (1993-2005) appear to be due to the recent economic development that has occurred in the county in response to the rising retiree population. The influx of retirees with their accumulated wealth to a relatively undeveloped Beaufort County during the 1970s and 1980s allowed for the dramatic shift in terms of major income sources. However, the ongoing growth of the retiree population has more recently triggered substantial economic development and job growth in the county. The details of this development will be addressed in the next section. However, it is apparent that growth in many service sectors, including health care, and finance, insurance and real estate, as well as construction sectors, has created more employment opportunities in the county.

This trend emerges in Figure 6 which shows total employment levels in Beaufort County between 1970 and 2005. Again, there appear to be two distinct periods of economic development in the county as illustrated by two different trends for total job growth. Between 1970 and 1992, total employment in the county grew at an average annual pace of 2.8 percent. Between 1993 and 2005, total employment grew at an average annual pace of 3.7 percent.

### Figure 6. Beaufort County Total Employment

1970 - 2005



The faster pace of job growth since the early 1990s, driven largely by the service and construction sectors following in the wake of rapid population growth, have created employment and income opportunities that have worked to stabilize the share of income

derived from labor earnings seen earlier. Beaufort County is experiencing economic development that has worked to diversify the economy similar to other areas that have historically been driven by retiree and tourism activity.<sup>2</sup>

Having touched briefly on employment trends in the county, how does Beaufort County compare with others in terms of the size and growth of employment? There are many different estimates of employment available, including those generated by the U.S. Bureau of Labor Statistics, the U.S. Census Bureau, and the U.S. Bureau of Economic Analysis. Employment data provided by the U.S. Bureau of Economic Analysis work well for the current purposes because they provide a reasonable long history and are available consistently across every county.

According to this measure, there were a total of 92,245 jobs in Beaufort County in 2005, including both full- and part-time jobs, and including wage and salary employment, sole proprietorships and partnerships, as well as military jobs at the area’s military installations (estimated to be 11,194 jobs in 2005). The corresponding figure for total employment in South Carolina in 2005 was nearly 2.4 million. Beaufort’s employment total in 2005 placed in 7<sup>th</sup> out of the 46 counties, the top ten counties are given in Figure 7.

**Figure 7. Total Employment, Top Ten S.C. Counties**

2005 data

Rank	County	Total Employment
1	Greenville	291,275
2	Charleston	270,525
3	Richland	263,519
4	Spartanburg	145,974
5	Horry	140,764
6	Lexington	127,080
<b>7</b>	<b>Beaufort</b>	<b>92,245</b>
8	York	88,714
9	Anderson	82,889
10	Florence	80,696

Beaufort County’s employment base has consistently been one of the fastest growing across South Carolina. Between 1970 and 2005, total employment in South Carolina nearly doubled as the number of jobs increased by 97.9 percent. Over the same period, employment in Beaufort nearly tripled as the county posted total job growth of 194.7 percent. As shown in Figure 8, Beaufort’s pace of job growth from 1970 to 2005 was 5<sup>th</sup> fastest in the state.

<sup>2</sup> Detailed information on industry-level trends in Beaufort County will be discussed in the next section of this report.

Figure 8. Employment Growth 1970-1992,  
Top Ten S.C. Counties

Rank	County	Percent Growth
1	Berkeley	384.1%
2	Lexington	334.1%
3	Dorchester	320.4%
4	Horry	320.0%
<b>5</b>	<b>Beaufort</b>	<b>194.7%</b>
6	Georgetown	155.9%
7	Jasper	152.0%
8	Greenville	133.6%
9	York	132.6%
10	Aiken	123.2%

It was seen earlier that job growth in the county accelerated since the early 1990s. Between 1992 and 2005, total employment in Beaufort County grew by 62.4 percent. This was well ahead of the statewide average of 23.9 percent, and placed the county 3<sup>rd</sup> in the state behind just Berkeley and Calhoun Counties, as shown in Figure 9.

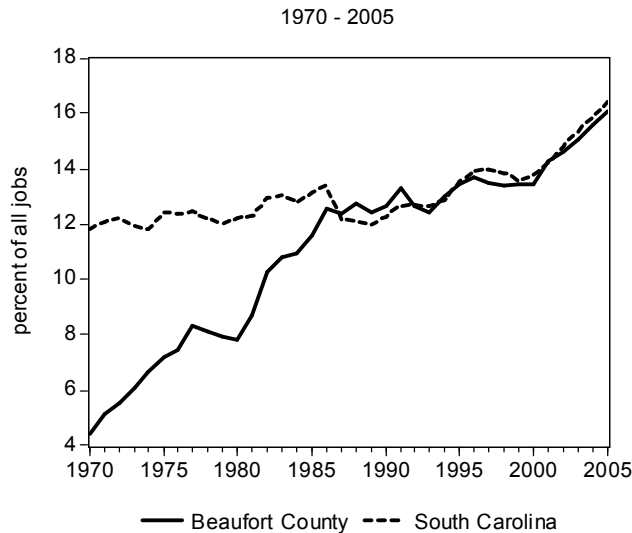
Figure 9. Employment Growth 1993-2005,  
Top Ten S.C. Counties

Rank	County	Percent Growth
1	Berkeley	78.7%
2	Calhoun	64.4%
<b>3</b>	<b>Beaufort</b>	<b>62.4%</b>
4	Lexington	59.5%
5	Jasper	58.4%
6	Horry	57.9%
7	Georgetown	54.1%
8	York	42.2%
9	Dorchester	36.1%
10	Greenville	30.2%

A noteworthy trend in total employment for Beaufort County has been the growth of sole proprietorships and partnerships. The presence of sole proprietorships and partnerships serves as a useful proxy for the degree of entrepreneurial activity within an economy. As of 2005, it is estimated that a total of 14,185 people in Beaufort County were either sole proprietors or partners in a partnership, this was 16.1 percent of all jobs. For South Carolina as a whole, 16.4 percent of all jobs were in sole proprietorships or partnerships. While Beaufort County slightly trailed the statewide average, it has seen strong growth in the presence of this type of entrepreneurial activity. As shown in Figure

10, this share in Beaufort County has risen fairly steadily since 1970 compared to the statewide average. This upward trend of entrepreneurial activity could prove to be a strength for Beaufort's economy moving forward if the county is able to capitalize on its strengths relative to nearby areas that are dealing with negative issues such as traffic congestion.

**Figure 10. Entrepreneurial Jobs as Share of All Jobs**



*Measures of Living Standards*

Economists typically turn to a few basic statistics when trying to gauge an area's relative standard of living. These measures are only able to compare areas in terms of incomes, wages, and unemployment conditions. They do not attempt to capture differences between areas in terms of such critical factors as: environmental quality, access to cultural or recreational amenities, cost of living, quality of health care, and the quantity and quality of infrastructure. Yet, statistics on per capita income, average wages, poverty rates, and unemployment do provide quantifiable benchmarks that are useful for comparing sub-state areas with each other in terms of the material well-being of county residents.

Per capita income is one of the most commonly cited measures of living standards. Per capita income is simply an area's total personal income divided by its total population. Per capita income makes no adjustment for differences in demographics, income sources, or cost of living between areas. Per capita income in Beaufort County stood at \$39,308 in 2005. This was 139 percent of the South Carolina average, and was the highest in the state. Figure 11 lists both the top ten and bottom ten counties in terms of 2005 levels of per capita income. To again highlight the uniqueness of Beaufort County, it is the only county in South Carolina to post per capita income above the national average of \$34,685. Per capita income in Beaufort County is roughly 15 percent



higher than the 2<sup>nd</sup> highest county (Charleston County), and is more than twice the level of Allendale County.

## Figure 11. Per Capita Income, Top and Bottom Ten S.C. Counties

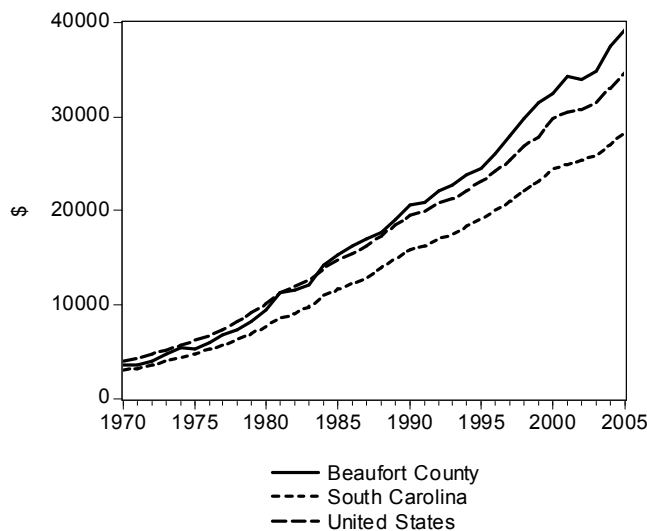
2005 Data

Rank	County	Per Capita Income	Rank	County	Per Capita Income
1	Beaufort	\$39,308	37	Clarendon	\$21,266
2	Charleston	\$34,158	38	Bamberg	\$20,989
3	Greenville	\$31,759	39	Dillon	\$20,850
4	Lexington	\$31,575	40	Marlboro	\$20,643
5	Richland	\$31,518	41	Marion	\$20,485
6	Georgetown	\$30,399	42	Barnwell	\$20,409
7	York	\$29,904	43	Lee	\$20,307
8	Kershaw	\$28,595	44	McCormick	\$20,299
9	Oconee	\$28,561	45	Williamsburg	\$20,005
10	Florence	\$28,486	46	Allendale	\$18,871

Figure 12 provides trends in per capita income for Beaufort County, South Carolina, and the United States between 1970 and 2005. Per capita income is growing over time suggesting long-term improvements in living standards.<sup>3</sup> Evident from this figure is the fact that Beaufort’s per capita income has consistently been higher than the statewide average, and has been greater than the national average every since 1984. Also apparent is that Beaufort’s per capita income has consistently been growing at a faster pace than the state or national averages.

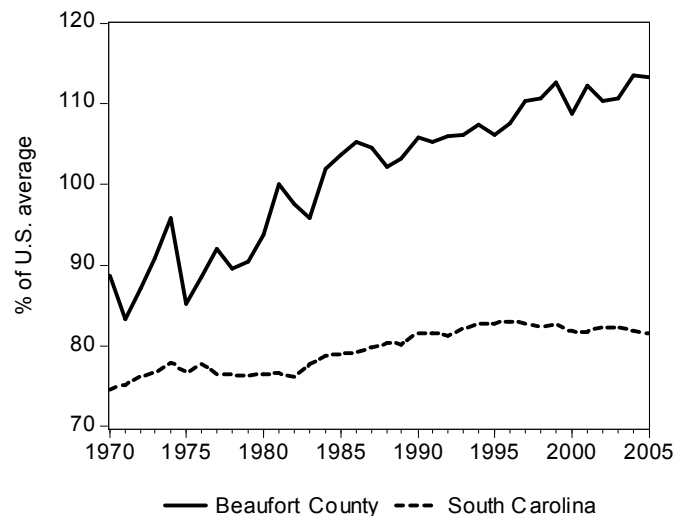
## Figure 12. Per Capita Income

1970-2005



<sup>3</sup> An important caveat is that these data do not account for differences in the cost of living across geographic areas. Generally, per capita income has also been growing in inflation-adjusted terms.

## Figure 13. Per Capita Income as a Fraction of the U.S. Average



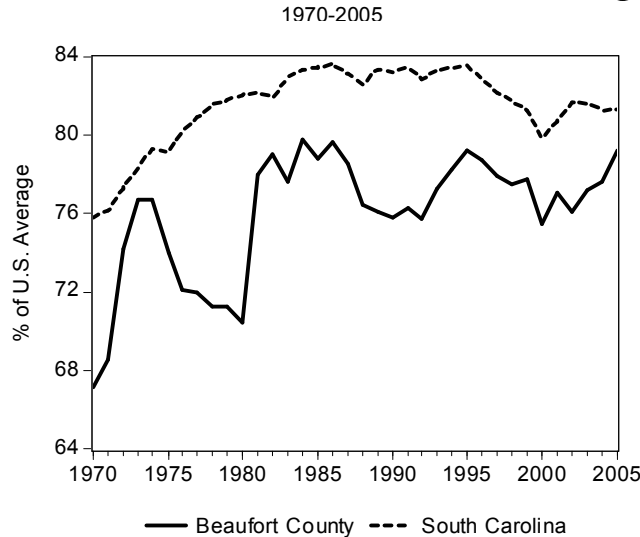
A common way to gauge gains in living standards over time is to look at an area's per capita income as a percent of the national average. Figure 13 provides a plot of per capita income in Beaufort County and for South Carolina relative to the national average. A challenge facing South Carolina's economy is readily apparent from this chart. Since the mid-1990s, South Carolina's per capita income has held roughly steady at about 81 percent of the national average. Again, this does not indicate that per capita income in South Carolina is not growing; rather, it serves to indicate that the state's per capita income growth is roughly matching the national average. However, even during this period that the state has failed to close the per capita income gap with the rest of the U.S., Beaufort County's per capita income continues to rise relative to the national average. Not only is per capita income growing in Beaufort, but it is consistently growing at a faster pace than the national average.

While Beaufort County's per capita income statistics suggest high and rapidly growing living standards on average, they do not tell the whole story. As seen earlier, Beaufort's personal income is drawn largely from dividends, interest and rent payments. Therefore, high per capita income alone does not imply high wage levels in the area. For this reason, it is also important to directly consider average wages in the county. In 2006, the average annual wage across all industries in Beaufort County stood at \$33,257. This was slightly less than the statewide average of \$33,958 and ranked the county 14<sup>th</sup> out of 46 counties. The average wage for the U.S. in 2006 was \$41,991. Despite being well ahead of the national average in terms of per capita income, Beaufort County's average wages were just 79.2 percent of the U.S. average.

Figure 14 shows average wages as a percentage of the national average for both Beaufort County and South Carolina. This comparison is in sharp contrast to the relative per capita income comparisons made earlier. There, Beaufort's per capita income was not only above the national average, but was also consistently widening the gap above the

U.S. average. In terms of average wages, however, Beaufort County has been below both the national and statewide averages. Further, the county, like the state as a whole, has failed to close the gap with the national average since the early 1980s. That is, average wages in Beaufort are growing, but since the early 1980s they have grown at roughly the same pace as the national average, keeping average wages at roughly 76 to 78 percent of the U.S. average.

Figure 14. Average Wages as a Fraction of the U.S. Average



These wage trends highlight one of the challenges facing the Beaufort County economy. The county has benefited from the influx of retirees, many of whom bring considerable accumulated wealth to the area. This in-migration has sparked rapid economic development and job growth. However, these new jobs have not allowed the area to post relative gains in average wages. Like South Carolina in general, Beaufort County is generating new jobs. But, it remains faced with the challenge of attracting and creating higher-paying jobs.

While Beaufort’s trends in terms of average wages are somewhat at odds with its per capita income growth, wage levels remain relatively high compared to many other areas in South Carolina. This has worked to keep Beaufort County’s poverty rate among the lowest in the state. As of 2005, the overall poverty rate for all of South Carolina was 15.6 percent, compared with a national rate of 13.3 percent. Meanwhile, Beaufort County’s poverty rate stood at 11.7 percent. As shown in Figure 15, Beaufort’s poverty rate was 3<sup>rd</sup> lowest in the state ahead of just Dorchester and Oconee Counties. Meanwhile, fifteen counties in South Carolina had poverty rates of at least 20 percent during 2005.

## Figure 15. Poverty Rates, Ten Lowest in S.C.

2005 Data

Rank	County	Poverty Rate
1	Dorchester	11.2%
2	Oconee	11.2%
<b>3</b>	<b>Beaufort</b>	<b>11.5%</b>
4	Lexington	11.7%
5	York	12.0%
6	Greenville	12.9%
7	Berkeley	13.4%
8	Kershaw	13.6%
9	Pickens	13.7%
10	Richland	14.3%

The average wage rate in Beaufort, while not experiencing growth on par with per capita income, has been sufficient to keep poverty rates relatively low. Similarly, the pace of total job growth across the county has been sufficient to keep the county's unemployment rate low. As of 2006, Beaufort County's jobless rate stood at just 5.0 percent. This was the 2<sup>nd</sup> lowest in the state, behind only Lexington County's 4.7 percent rate.

Overall, these broad economic indicators for Beaufort County serve to highlight the unique position of the county relative to the rest of the state. The county experiences unprecedented success in terms of the broadest measure of living standards, per capita income. While average wages in the area have not gained on the state or national averages, they have remained sufficiently high to keep the county's poverty rate among the lowest in South Carolina, and below the national average. Strong job growth and low unemployment further indicate the overall strength of the county's economy. Trends in terms of the relative growth of the major components of personal income suggest that economic diversification in the wake of retiree in-migration are helping to balance and stabilize the area's economy. However, the county is reaching a point where economic development efforts should focus as much on raising the quality of new jobs as it does the quantity of new jobs. This task is much easier said than done, but additional trends highlighted through the remainder of this report may serve to suggest possible directions for these efforts.

# Industry Structure of Beaufort County

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An economy is made up of many different kinds of activity, and the economic structure varies greatly across local areas. Understanding the structure of the local economy is critical for understanding both the long- and short-term performance of an economy, as well as the long- and short-term challenges and opportunities facing an economy. For example, an economy that is heavily dependent on manufacturing activity is likely facing decades-long challenges in terms of job losses and plant closures. An economy heavily dependent on tourism is likely more susceptible to swings in nationwide consumer income and spending trends when compared to an area that has a large government or military presence. Industry diversification is commonly viewed as a goal of economic development. Generally, a diverse local economy is likely to be a more stable economy, one that is less susceptible to industry specific shocks that could cause volatility in more specialized economies.

The purpose of this section is to provide an overview of the industry structure of Beaufort County. First will be a look at the current makeup of the county's economy, focusing on the distribution of employment across sectors. Then, the analysis will focus on how this industry distribution has changed since 1990. The analysis presented in this section is a prelude to a more detailed economic base analysis to be offered later in this report.

## *The Industry Structure of Beaufort County*

The current structure of the Beaufort County economy will be based on employment data provided by the U.S. Bureau of Economic Analysis. These job estimates indicate a total of 92,245 jobs in the county as of 2005. The distribution of these jobs across major sectors of the economy is given in Figure 16.<sup>4</sup> The largest sector in terms of employment in 2005 was Accommodation and Food Services with 11,506 workers. The Military was a close second with 11,194 jobs. Other large employment sectors in Beaufort County include Retail Trade (10,954 jobs), Construction (9,161 jobs), and Real Estate (6,834 jobs). The relatively smaller employing sectors include Utilities (173 jobs), Management (397 jobs), Information (923 jobs), Private Education Services (994 jobs), Wholesale Trade (1,004 jobs) and Manufacturing (1,192 jobs).

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<sup>4</sup> These sectors are based on NAICS industrial codes.

## Figure 17. Sectors with an Above Average Share of Total Jobs

2005 Data

Sector	Beaufort	South Carolina						
Construction	9.9%	7.1%						
Real estate and rental and leasing	7.4%	3.7%						
Professional and technical services	5.1%	4.5%						
Arts, entertainment, and recreation	3.1%	1.7%						
Accommodation and food services	12.5%	8.0%						
Other services	7.3%	5.8%						
Federal, civilian	2.2%	1.2%						
Military	12.1%	2.3%						
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Military</td> <td style="text-align: right;">11,194</td> </tr> <tr> <td>State government</td> <td style="text-align: right;">1,070</td> </tr> <tr> <td>Local government</td> <td style="text-align: right;">6,002</td> </tr> </table>			Military	11,194	State government	1,070	Local government	6,002
Military	11,194							
State government	1,070							
Local government	6,002							

These employment estimates are useful for a first glance at which sectors appear to dominate the local landscape. However, it is more useful to compare the relative size of these industries locally with their relative size at the state level. In this way, we can see how Beaufort differs from other areas in terms of the dominant types of economic activity.

Figure 17 provides the sector shares of total employment for both Beaufort County and South Carolina for those sectors that are relatively larger in Beaufort than the statewide average. Among the notable differences is the dominance of Military and Leisure and Hospitality (Arts, Entertainment and Recreation, and Accommodation and Food Services) sectors as sources of employment. Military jobs in Beaufort County account for 12.1 percent of total local employment. Statewide, Military jobs make up 2.3 percent of total employment. The Military jobs in Beaufort represent about 21 percent of the total Military presence in South Carolina.

The large presence of Leisure and Hospitality jobs indicate the reliance on tourism in Beaufort County. Taken together, jobs at local attractions, hotels and restaurants account for about 15.6 percent of total local employment compared to 9.7 percent of total employment statewide. The local Construction and Real Estate sectors also exhibit above average employment due to the area's population growth.

Overall, the statistics in Figure 17 indicate a local economy that relies heavily on the military, tourism, and housing as major sources of employment. While each of these sectors has been a valuable driver of the local economy historically, they also can present some challenges in the future. The military presence has provided a stable economic impact on the area. However, as the nature of national defense in the U.S. undergoes continuous evolution, the use of Federal Defense resources is always going to be subject

to re-evaluation. While the area avoided losing its military presence during the most recent round of Base Realignment and Closures (BRAC), there is no guarantee this will always be the case.

Tourism activity can be subject to overall economic conditions. A serious economic downturn nationally can lead to softer tourism activity and the loss of jobs and income for the industry. However, the local tourism industry is likely better insulated than others around South Carolina due to the high-end nature of the local tourism base. Also, any area that relies heavily on real estate and residential construction is susceptible to downturns in the housing market. The downturn in housing nationwide during 2007 and into 2008 has translated into job losses throughout the construction, real estate, and finance industries.

Figure 18 lists the sectors that are roughly equally represented in Beaufort County as in South Carolina. These sectors include mining, retail trade, information, and private educational services.

## Figure 18. Sectors with an Average Share of Total Jobs

2005 Data

Sector	Beaufort	South Carolina
Utilities	0.2%	0.5%
Retail trade	11.9%	12.0%
Information	1.0%	1.4%
Educational services	1.1%	1.4%

Finally, those industries that are relatively underrepresented in Beaufort County are given in Figure 19. Most obvious in terms of sheer numbers is manufacturing. Just 1.3 percent of all jobs in Beaufort are in manufacturing. For South Carolina, manufacturing jobs account for 11.5 percent of total employment. The lack of a large manufacturing presence in Beaufort is beneficial in many ways. Manufacturing has suffered long-term declines in terms of employment and output. Beaufort County has not been directly subject to these structural job losses. At the same time, manufacturing jobs have been an important source of employment and income in South Carolina that have played an important role in maintaining a viable middle class.

## Figure 19. Sectors with a Below Average Share of Total Jobs

2005 Data

Sector	Beaufort	South Carolina
Manufacturing	1.3%	11.5%
Wholesale trade	1.1%	3.2%
Transportation and warehousing	1.5%	2.7%
Finance and insurance	2.5%	3.8%
Administrative and waste services	5.8%	6.9%
Health care and social assistance	5.3%	7.3%
State government	1.2%	4.1%
Local government	6.5%	8.6%

The large military presence in Beaufort skews the comparisons given in Figures 17 through 19. Another way to consider the area's structural composition is to look at sector shares of total private sector employment. This ignores all government employment in the area. Figure 20 provides a list of the major sectors and the share of just private employment for each. Here, some of the patterns change slightly. For example, Beaufort's construction industry employs 12.8 percent of all private sector jobs, compared with 8.7 percent for the state as a whole. Similarly, there is now a larger difference between Beaufort and South Carolina's reliance on real estate as a source of employment.

These comparisons between Beaufort County and South Carolina in terms of economic structure are intended to provide just a first glance at the major industry differences. A more thorough look at these issues is provided via an economic base analysis in a later section of this report.



## Figure 20. Sector Share of Private Employment

2005 Data

Sector	Beaufort	South Carolina
Utilities	0.2%	0.6%
Construction	12.8%	8.7%
Manufacturing	1.7%	13.9%
Wholesale trade	1.4%	3.8%
Retail trade	15.2%	14.5%
Transportation and warehousing	1.9%	3.3%
Information	1.3%	1.7%
Finance and insurance	3.2%	4.6%
Real estate and rental and leasing	9.5%	4.5%
Professional and technical services	6.6%	5.5%
Management of companies and enterprises	0.6%	0.6%
Administrative and waste services	7.5%	8.3%
Educational services	1.4%	1.6%
Health care and social assistance	6.8%	8.8%
Arts, entertainment, and recreation	4.0%	2.1%
Accommodation and food services	16.0%	9.7%
Other services, except public administration	9.4%	7.0%

### *The Evolution of Beaufort's Industry Structure*

It is often of interest to consider not just what an area's economy looks like today, but also how it has changed over time. This helps shed light on how the economy is transforming, and how the economy may continue to evolve into the future. The U.S. Bureau of Economic Analysis data just presented do not lend themselves to a comparison over time. This is due to the reclassification of industry data from the historical Standard Industrial Classification (SIC) system to the current NAICS system. The comparable U.S. BEA data are only available for 2001 through 2005. To make a longer-term comparison, we will now utilize U.S. Bureau of Labor Statistics data on industry employment. These numbers are not comparable to the data used previously, and no reliable comparison can be made to the analysis given in the first part of this section.

Figure 21 provides a comparison of the employment shares for various sectors in Beaufort County for 1990 and 2006. Overall, the major trends apparent from this analysis are that many of the area's sectors have seen relatively small declines in their relative shares since 1990. These widespread small declines have been balanced by relatively large increases in the relative importance of a few major sectors. The construction sector's share of total employment increased from 8.3 percent in 1990 to 10.1 percent as of 2006. Health care saw its share of all jobs increase from 5.1 percent in 1990 to 8.7 percent in 2006. Other relative gains were posted in real estate, transportation and warehousing, professional, scientific and technical services, other services, and a slight increase in wholesale trade.

Figure 21. Sector Shares, 1990 and 2006

Sector	1990 Share	2006 Share
Construction	8.3%	10.1%
Manufacturing	3.1%	1.6%
Wholesale Trade	1.0%	1.1%
Retail Trade	17.1%	15.4%
Transportation and Warehousing	1.5%	2.0%
Utilities	0.5%	0.2%
Information	1.8%	1.2%
Finance and Insurance	3.0%	2.6%
Real Estate and Rental and Leasing	3.9%	4.4%
Professional and Technical Services	3.9%	4.2%
Administrative and Waste Services	6.3%	6.3%
Private Education	1.8%	1.1%
Health Care and Social Assistance	5.1%	8.7%
Arts, Entertainment and Recreation	4.1%	3.1%
Accommodation and Food Services	18.7%	17.7%
Other Services	5.4%	6.2%
Public Administration	5.6%	4.4%

Any industry claiming a higher share of total employment has seen its total job county grow at a faster pace than total county-level employment. The fastest growth between 1990 and 2006 was in health care. Health care jobs increased from 1,736 in 1990 to 5,355 in 2006. This was a 208 percent increase over a period that saw total employment in the county grow by about 82 percent.

Overall, Beaufort County has seen fairly balanced growth across sectors since 1990. This is in contrast to the overall South Carolina trends. Statewide, there have been large job losses – not just in relative terms, but also in terms of absolute numbers of jobs. No sector of the local Beaufort economy has posted large outright declines, rather, most sectors have been growing, but the health care and construction sectors in particular have posted very rapid rates of job growth since 1990.

Looking ahead, there is likely to be a slowdown in the rate of construction and real estate growth in the coming years as the local, state and national economies work to recover from the substantial housing downturn that began in late 2006. However, the rapid job growth in the local health care sector should continue unabated. If anything, health care jobs could potentially accelerate in coming years as the area continues to attract retirees and in general sees an aging population.

# Beaufort County Economic Base Analysis

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Economic base analysis is a fundamental technique used to help understand the key components of any local economy. Economic base techniques are based on the assumption that local economic activities can be categorized into *basic* and *non-basic* sectors. Basic activity refers to the production of goods and services that are exported outside of the local area. That is, basic production refers to output produced locally but consumed outside of the area, thus creating an inflow of dollars to the local economy.

Non-basic activity refers to goods and services produced locally for local consumption. Basic economic activities are often considered to be the engine of local economic growth. An economic base analysis can help identify those sectors locally that are export-oriented and that therefore tend to drive local economic growth. Typical examples of basic economic activities include manufacturing, natural resources, agriculture, and tourism.

Economic base analysis is important because the development and enhancement of basic activities is often seen as critical for strengthening and growing a local economy. An area's basic industries are typically considered the engines of local economic growth. Strong basic industries then lead to the further development of an area's non-basic industries.

There are several analytical approaches to identifying an area's basic and non-basic sectors. One of the most common is based on the use of location quotients. In words, a location quotient is a calculated ratio between the relative size of an industry locally and the relative size of that same industry for a broader geographic unit. For example, to compare the Beaufort County economy and the national economy, a location quotient for any particular industry would be the ratio of that industry's employment share in Beaufort County to that same industry's employment share for the U.S. To use a concrete example, during 2006, the construction industry accounted for 11.83 percent of all jobs in Beaufort County. Nationwide, construction accounted for 6.74 percent of all jobs. The location quotient for Beaufort's construction industry is therefore  $1.76$  ( $11.83 / 6.74$ ).

What is the interpretation of a location quotient? It is assumed that an area that sees a larger than average share of employment in a certain industry is producing more of that particular good or service than is needed to serve solely local needs. Therefore, this local industry must be in part producing to meet external demand beyond just the local economy. As such, any industry with a location quotient greater than one is producing output in part for external demand and can be considered a basic sector for the local economy.

In contrast, any industry with a location quotient less than one is assumed to be producing an insufficient amount of output to serve even the local demand, and the area is assumed to be importing this industry's output from outside the local economy. Therefore, an industry with a location quotient less than one is assumed to be a non-basic industry – one that at best is serving only local needs. Finally, an industry with a location quotient exactly equal to one is also considered to be a non-basic industry because it is producing exactly enough to meet local demand.

How can this information be used? Industries that emerge as basic industries are often viewed as the engines of local economic growth. They are industries that already have a relatively large presence and likely are responsible for a net inflow of spending into the local economy. Through further development and enhancement, these industries may continue to play an important role in local economic growth.

Meanwhile, the non-basic industries, particularly those with relatively low location quotients, indicate industries for which the local economy is importing production, resulting in an outflow of spending from the local economy. As such, by developing and enhancing these local industries, the local economy may be able to recapture some of the funds currently leaking out of the local economy via imports.

Given this background, we can turn to the economic base analysis for Beaufort County. This analysis will proceed through three levels of detail, from a broad industry definition working towards a more detailed industry level. These location quotients are based on detailed employment data provided by the U.S. Bureau of Labor Statistics, and exclude government employment. Therefore, this analysis focuses solely on private sector economic activity. Certainly, an economic base analysis that includes military employment would reveal the substantial military presence in Beaufort County. However, this military presence is largely exogenous to the area. That is, while the military is recognized as an important piece of Beaufort’s economy, the growth and development of the military in the area is largely out of the hands of those in Beaufort County.

Figure 22 provides a list of location quotients at the ‘supersector’ level for Beaufort County. Specifically, this figure indicates each supersector’s share of local employment, its corresponding share of national employment, and the calculated location quotient.

**Figure 22. Supersector Location Quotients**

2006 Data

<b>Industry</b>	<b>Beaufort County Share</b>	<b>U.S. Average Share</b>	<b>Location Quotient</b>
Leisure and Hospitality	24.29%	11.55%	2.10
Other Services	7.25%	3.87%	1.87
Construction	11.83%	6.74%	1.76
Unclassified	0.29%	0.22%	1.32
Financial Activities	8.06%	7.24%	1.11
Trade, Transportation, and Utilities	21.40%	23.07%	0.93
Professional and Business Services	12.92%	15.50%	0.83
Education and Health Services	9.63%	15.01%	0.64
Natural Resources and Mining	0.98%	1.58%	0.62
Information	1.45%	2.70%	0.54
Manufacturing	1.91%	12.52%	0.15

Here, five supersectors have location quotients in excess of one, suggesting that they are basic industries in Beaufort’s economy. These basic industries include: leisure and hospitality, other services, construction, unclassified, and financial activities. On the surface, several of these industries should be expected to be basic for Beaufort County, specifically the importance of the local leisure and hospitality, construction, and financial sectors. Clearly ‘other services’ and ‘unclassified’ are not particularly useful industry groupings, and we will need greater industry detail to further understand the segments here that are basic sectors.

Meanwhile, six local supersectors have location quotients less than one and can therefore be considered non-basic industries. These include: trade, transportation and utilities, professional and business services, education and health services, natural resources and mining, information, and manufacturing. Again, without greater industry level detail, it is difficult to glean much from these results.

However, it is noteworthy that education and health care appear to be non-basic industries. Recall the interpretation of this finding. Local firms producing private education and health care services appear to be operating at a level below what would be expected for the local economy. This suggests that the area is currently importing these services from outside of the local economy. This is likely the case for Beaufort because of the proximity to Charleston and the relatively large health care complex located there. This suggests that the development of a larger local health care industry could benefit the Beaufort County economy as it would allow local firms to recapture some of the health care spending that is currently leaving the county.

**Figure 23. Basic Industries, Sector Level**  
2006 Data

<b>Industry</b>	<b>Beaufort County Share</b>	<b>U.S. Average Share</b>	<b>Location Quotient</b>
NAICS 53 Real estate and rental and leasing	5.07%	1.91%	2.65
NAICS 71 Arts, entertainment, and recreation	3.64%	1.69%	2.15
NAICS 72 Accommodation and food services	20.66%	9.87%	2.09
NAICS 81 Other services, except public administration	7.25%	3.87%	1.87
NAICS 23 Construction	11.83%	6.74%	1.76
NAICS 99 Unclassified	0.29%	0.22%	1.32
NAICS 44-45 Retail trade	17.87%	13.64%	1.31

Digging deeper into this classification of basic and non-basic industries requires a greater level of industry detail. The next level of detail is available by looking at the ‘sector’ level. Location quotients can be calculated for a total of 18 sectors in the Beaufort economy. Of these 18 sectors, seven have been identified as basic industries. These basic industries, along with their relatively shares of employment and location quotients, are given in Figure 23. These basic industries include: real estate and rental and leasing (location quotient = 2.65), arts, entertainment and recreation (2.15),

accommodation and food services (2.09), other services (1.87), construction (1.76), unclassified (1.32) and retail trade (1.31).

Again, this list of basic industries for Beaufort County is dominated by industries associated with tourism, and real estate and construction that are largely driven by retiree and overall population growth.

**Figure 24. Non-Basic Industries, Sector Level**  
2006 Data

<b>Industry</b>	<b>Beaufort County Share</b>	<b>U.S. Average Share</b>	<b>Location Quotient</b>
NAICS 56 Administrative and waste services	7.32%	7.36%	0.99
NAICS 54 Professional and technical services	4.82%	6.56%	0.73
NAICS 62 Health care and social assistance	8.61%	13.05%	0.66
NAICS 22 Utilities	0.29%	0.48%	0.60
NAICS 52 Finance and insurance	3.00%	5.33%	0.56
NAICS 51 Information	1.45%	2.70%	0.54
NAICS 61 Educational services	1.02%	1.96%	0.52
NAICS 48-49 Transportation and warehousing	1.91%	3.73%	0.51
NAICS 55 Management of companies and enterprises	0.78%	1.58%	0.49
NAICS 42 Wholesale trade	1.33%	5.22%	0.25
NAICS 31-33 Manufacturing	1.91%	12.52%	0.15

Figure 24 provides the list of the 11 local sectors identified as non-basic. These industries range from administrative and waste services (location quotient = 0.99) to manufacturing (location quotient = 0.15). Again we see that health care and social assistance has been identified as a non-basic industry, suggesting that health care services are being imported as local residents travel outside the county for health care. Also, we now find finance and insurance have been identified as non-basic, suggesting again that the local economy is not producing enough finance and insurance services to satisfy the local demand. Potential local finance and insurance services are being imported from outside of the county. Again, these services are likely being obtained in nearby areas including Charleston.

For the greatest level of detail, we can consider the location quotients of industries at the ‘sub-sector’ level in Beaufort County. The sub-sectors identified as basic industries for Beaufort County are given in Figure 25. Again, many of Beaufort’s detailed basic industries are closely tied to tourism (including scenic and sightseeing transportation, accommodations, amusements, gambling and recreation, transportation, food services and drinking places) and to population growth (including real estate, personal and laundry services, clothing stores, construction and contractors, building material stores, furniture stores, motor vehicle dealers, and nursing and residential care facilities).

**Figure 25. Basic Industries, Sub-Sector Level**  
2006 Data

<b>Industry</b>	<b>Beaufort County</b>	<b>U.S. Average</b>	<b>Location Quotient</b>
NAICS 487 Scenic and sightseeing transportation	0.11%	0.02%	5.50
NAICS 531 Real estate	4.49%	1.32%	3.40
NAICS 813 Membership associations and organizations	3.51%	1.16%	3.03
NAICS 721 Accommodation	4.47%	1.62%	2.76
NAICS 713 Amusements, gambling, and recreation	3.31%	1.23%	2.69
NAICS 812 Personal and laundry services	2.34%	1.14%	2.05
NAICS 448 Clothing and clothing accessories stores	2.62%	1.29%	2.03
NAICS 114 Fishing, hunting and trapping	0.02%	0.01%	2.00
NAICS 485 Transit and ground passenger transportation	0.69%	0.35%	1.97
NAICS 722 Food services and drinking places	16.19%	8.25%	1.96
NAICS 236 Construction of buildings	3.06%	1.59%	1.92
NAICS 238 Specialty trade contractors	7.51%	4.29%	1.75
NAICS 444 Building material and garden supply stores	2.04%	1.17%	1.74
NAICS 442 Furniture and home furnishings stores	0.78%	0.52%	1.50
NAICS 453 Miscellaneous store retailers	1.17%	0.79%	1.48
NAICS 237 Heavy and civil engineering construction	1.26%	0.86%	1.47
NAICS 451 Sporting goods, hobby, book and music stores	0.81%	0.58%	1.40
NAICS 999 Unclassified	0.29%	0.22%	1.32
NAICS 115 Agriculture and forestry support activities	0.37%	0.29%	1.28
NAICS 452 General merchandise stores	3.32%	2.62%	1.27
NAICS 445 Food and beverage stores	3.01%	2.50%	1.20
NAICS 447 Gasoline stations	0.89%	0.76%	1.17
NAICS 441 Motor vehicle and parts dealers	1.97%	1.69%	1.17
NAICS 623 Nursing and residential care facilities	2.90%	2.55%	1.14
NAICS 111 Crop production	0.49%	0.48%	1.02
NAICS 561 Administrative and support services	7.19%	7.05%	1.02

Many of these basic industries in Beaufort County are likely non-basic industries for the typical county. For example, personal and laundry services, clothing stores, and motor vehicle dealers, are often made up of local firms satisfying a largely local demand. However, local firms in these industries are meeting the demand of local residents, tourists, as well as retirees and other in-migrants to the area that may or may not be permanent residents.

Like tourism activity in general, in-migration of retirees and new residents, both permanent residents and those with second homes in Beaufort, can be thought of as an export activity. That is, new residents may have earned income and accumulated wealth outside of Beaufort County, but now choose to locate in the county and bring with them this accumulated wealth and its associated purchasing power. It is this in-migration that allows Beaufort County to see a larger presence of several basic industries that in other areas may well be non-basic industries.

Further, these basic service industries in Beaufort work to promote further population growth as the large presence of these industries makes the area attractive for additional in-migration.

The list of sub-sectors identified as non-basic is given in Figure 26. Included in this group are several sectors related to health care, financial services, professional, business and technical services, and manufacturing. Many of these sectors are those that typically can be expected to develop in an area in the wake of rapid population growth. Again, Beaufort County residents are likely turning to nearby urban centers for these services when not available locally. The relatively small presence of these types of firms, such as medical offices, insurance agents, banks, data processors, architects, engineers,

etc., suggests a potential for the county to market itself as a potential location for these firms.

**Figure 26. Non-Basic Industries, Sub-Sector Level  
2006 Data**

<b>Industry</b>	<b>Beaufort County</b>	<b>U.S. Average</b>	<b>Location Quotient</b>
NAICS 811 Repair and maintenance	1.07%	1.10%	0.97
NAICS 492 Couriers and messengers	0.48%	0.51%	0.94
NAICS 446 Health and personal care stores	0.74%	0.86%	0.86
NAICS 711 Performing arts and spectator sports	0.30%	0.35%	0.86
NAICS 621 Ambulatory health care services	3.71%	4.69%	0.79
NAICS 517 Telecommunications	0.68%	0.86%	0.79
NAICS 522 Credit intermediation and related activities	1.99%	2.59%	0.77
NAICS 541 Professional and Technical Services	4.82%	6.56%	0.73
NAICS 443 Electronics and appliance stores	0.36%	0.49%	0.73
NAICS 512 Motion picture and sound recording industries	0.24%	0.33%	0.73
NAICS 814 Private households	0.33%	0.47%	0.70
NAICS 221 Utilities	0.29%	0.48%	0.60
NAICS 327 Nonmetallic mineral product manufacturing	0.25%	0.45%	0.56
NAICS 523 Securities, commodity contracts, investments	0.39%	0.73%	0.53
NAICS 611 Educational services	1.02%	1.96%	0.52
NAICS 518 Data processing, hosting and related services	0.17%	0.34%	0.50
NAICS 551 Management of companies and enterprises	0.78%	1.58%	0.49
NAICS 323 Printing and related support activities	0.24%	0.56%	0.43
NAICS 454 Nonstore retailers	0.16%	0.38%	0.42
NAICS 562 Waste management and remediation services	0.13%	0.31%	0.42
NAICS 488 Support activities for transportation	0.19%	0.50%	0.38
NAICS 314 Textile product mills	0.05%	0.14%	0.36
NAICS 484 Truck transportation	0.41%	1.26%	0.33
NAICS 511 Publishing industries, except Internet	0.26%	0.80%	0.33
NAICS 524 Insurance carriers and related activities	0.61%	1.91%	0.32
NAICS 423 Merchant wholesalers, durable goods	0.80%	2.72%	0.29
NAICS 315 Apparel manufacturing	0.06%	0.21%	0.29
NAICS 325 Chemical manufacturing	0.19%	0.76%	0.25
NAICS 424 Merchant wholesalers, nondurable goods	0.39%	1.80%	0.22
NAICS 332 Fabricated metal product manufacturing	0.29%	1.37%	0.21
NAICS 337 Furniture and related product manufacturing	0.10%	0.49%	0.20
NAICS 425 Electronic markets and agents and brokers	0.13%	0.70%	0.19
NAICS 712 Museums, historical sites, zoos, and parks	0.02%	0.11%	0.18
NAICS 311 Food manufacturing	0.20%	1.30%	0.15
NAICS 339 Miscellaneous manufacturing	0.08%	0.57%	0.14
NAICS 525 Funds, trusts, and other financial vehicles	0.01%	0.08%	0.13
NAICS 313 Textile mills	0.02%	0.17%	0.12
NAICS 493 Warehousing and storage	0.01%	0.56%	0.02

Overall, the results of this economic base analysis can be viewed from several angles. First, those industries that make up the economic base of the county are those that, through further support and development, may be able to continue to drive the local economy by being ‘export-oriented’ businesses.

However, there is also useful information available by examining the list of non-basic industries. Sectors that are currently non-basic to the local economy are those that are likely associated with an outflow of spending as local residents purchase these goods and services elsewhere. This can represent an opportunity for the county to work to develop and encourage more of these types of firms locally. By doing so, more income that is earned by local residents can stay within the Beaufort economy, helping further boost the local area.



## Special Topics

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The purpose of this section is to provide an overview of some specific factors affecting economic development in Beaufort County. These topics include the role of tourism in economic development, the role of the military in the local economy, and the effects of a growing retiree population.

### *Tourism and Economic Development*

Tourism is a major industry in Beaufort County, as it is all along the South Carolina coast. It is difficult to measure the size of a local tourism industry because the ‘industry’ is comprised of businesses operating across a wide range of sectors. At the same time, not all activity at hotels, restaurants and shopping centers can be attributed to tourists alone. Despite the challenges, a recent report estimates that Beaufort County ranked 3<sup>rd</sup> in South Carolina in terms of total domestic travel spending during 2006.<sup>5</sup>

A few major indicators of travel-related activity for the top three counties in South Carolina are given in Figure 33. Total domestic travel spending in Beaufort County was \$958.1 million during 2006. This represented about 10.5 percent of all travel-related spending in South Carolina. This level of tourism spending helped generate a total of \$198.1 million in household income and 12.8 thousand jobs in the local economy. Further, these expenditures in the county worked to generate \$53.7 million in state tax revenues and \$31.1 million in local tax revenues.

**Figure 33. Tourism Statistics**

2006 Data

County	Direct Spending \$millions	Payroll \$millions	Jobs thousands	State Taxes Generated \$millions	Local Taxes Generated \$millions
Horry	\$2,882.2	\$586.7	37.9	\$162.1	\$118.3
Charleston	\$1,456.2	\$316.5	19.7	\$78.6	\$52.7
Beaufort	\$958.1	\$198.1	12.8	\$53.7	\$31.1
S.C. Total	\$9,109.9	\$1,873.3	112.0	\$485.3	\$306.4

<sup>5</sup> “The Economic Impact of Travel of South Carolina Counties 2006,” prepared by the Travel Industry Association for the S.C. Department of Parks, Recreation & Tourism, August 2007.

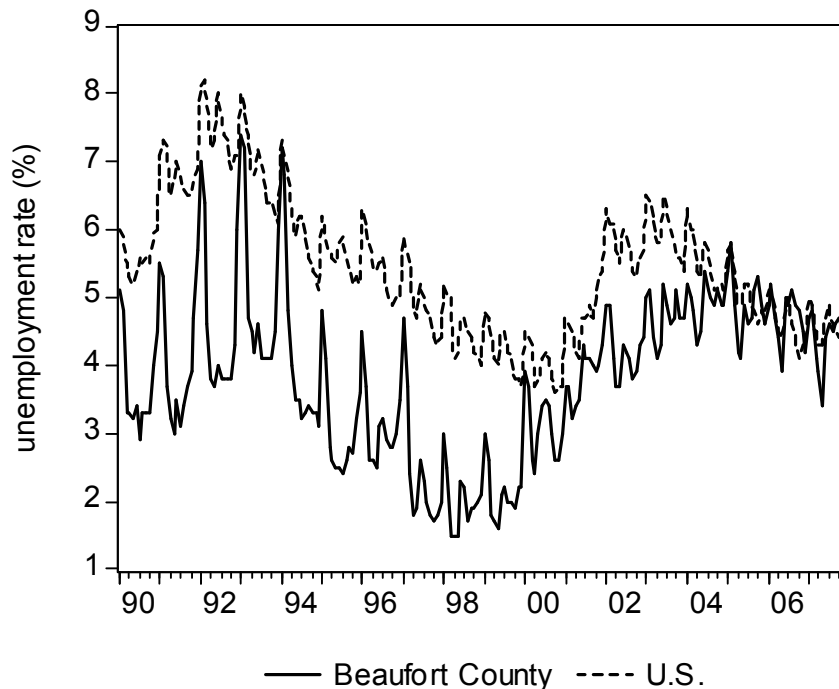
Like many of the coastal areas in South Carolina, Beaufort County's tourism industry has an important relationship to overall economic development. That is, the local tourism industry itself is a critical source of jobs and income in the area, but it also supports broader economic growth in the region. This is because the tourism infrastructure in Beaufort, consisting of accommodations, restaurants, attractions, and public infrastructure in place to support tourism, also works to make the area more attractive to potential residents and businesses outside of the tourism industry.

From the perspective of attracting businesses to the area, for example, among the top ranked factors for business location are cultural and natural amenities and recreation. That is, businesses consider such factors as tax burdens, availability of labor and transportation, but also important, particularly when trying to attract entrepreneurial or knowledge-based industry, is the presence of a vibrant service sector.

In this way, the impacts of Beaufort's tourism industry reach far beyond just the level of business enjoyed by hotels, restaurants and attractions. All along the South Carolina coast, the tourism industry and its service-sector offerings are helping to diversify and transform once highly seasonal economies into year-round urban centers.

One way to illustrate the trend towards a more year-round economy as Beaufort evolves and diversifies is to examine the changing seasonal variation in certain economic indicators. For example, Figure 34 provides a graph of Beaufort County's monthly unemployment rate from January 1990 to December 2007. Also shown here is the national average unemployment rate. Neither series has been adjusted for seasonality. Like the U.S. rate, Beaufort's jobless rate continues to exhibit swings throughout the course of the year as increased tourism and construction activity during the summer leads to a drop in unemployment while the off-season continues to be associated with relatively higher unemployment.

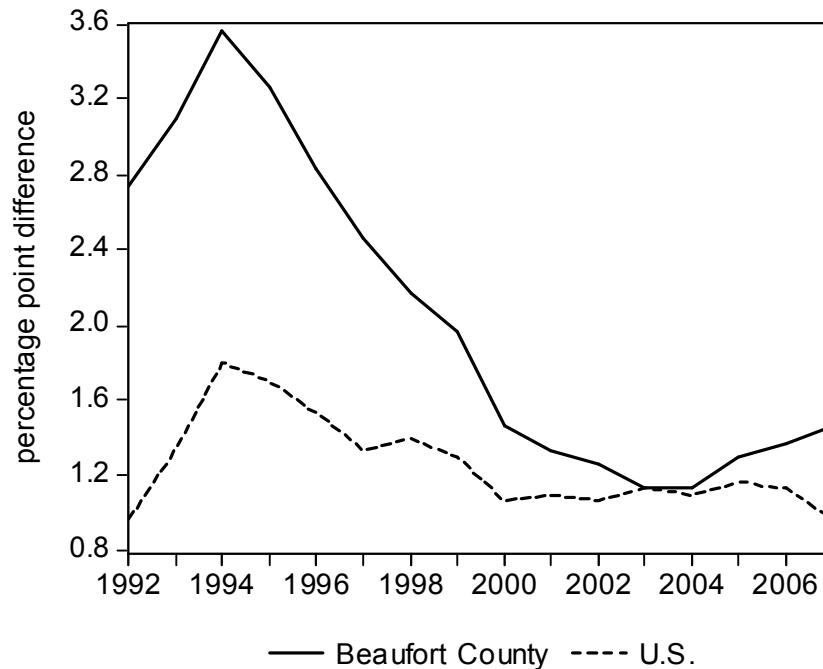
**Figure 34. Seasonal Unemployment Patterns,  
Beaufort and U.S.**  
1990-2007



However, one apparent trend from this graph is the decline in the overall seasonal variation seen in the local economy since 1990. The swings in unemployment between the summer and the off-season are not nearly as pronounced as they once were. To further demonstrate this trend, Figure 35 provides a graph of the difference between the highest and lowest monthly jobless rate recorded during each year since the early 1990s.<sup>6</sup> This figure clearly indicates the overall decline in the degree of seasonality present in the Beaufort County economy. Meanwhile, the seasonal variation for the U.S. economy has remained generally unchanged, suggesting that this is a trend specific to the local economy.

**Figure 35. Degree of Seasonal Variation in Unemployment, Beaufort and U.S.**

1992-2007



This evolution towards a more year-round economy is critical in attracting permanent residents and businesses interested in enjoying the local service sector amenities throughout the year. Given the importance of tourism activity for the broader Beaufort economy, consideration of the quantity and quality of the area’s tourism infrastructure needs to be included in any economic development plan for the area.

A major goal for local economic development nationwide is to seek economic diversification, a shift towards knowledge-based industry, and higher wages and incomes.

<sup>6</sup> Specifically, this graph provides the three-year moving average of the difference between the maximum and minimum unemployment rates for both Beaufort County and the U.S. from 1992 to 2007.

One key factor in fostering this type of environment is to continue to nurture the tourism industry because of the overlap between the services and attractions and amenities demanded by tourists and those that businesses and permanent residents seek. That is, even if a goal of economic development is to further encourage growth outside of tourism itself, the role of the local tourism industry itself cannot be overlooked.

*The Economic Impact of the Military in South Carolina and Beaufort*<sup>7</sup>

The many military installations dispersed across South Carolina are a substantial segment of the overall South Carolina economy. Bases around the state fuel economic activity by purchasing goods and services from the local community and by providing income to military and civilian personnel. In addition to these direct impacts that are due to the operations of the bases, additional benefits accrue to the state economy because of the military-related visitors and military retirees that they attract.

However, the ultimate impacts on the state and local economies do not stop with these direct expenditures associated with the military bases. Once an initial injection of funds occurs in the local economy, additional rounds of economic activity are supported by economic multiplier effects. By including these multiplier impacts, the true significance of military base operations to the state and local economies becomes clear. Further, the role of a military base in the local economy is somewhat unique in that the funding for the operations comes from the federal government. While some of this federal funding is the return of South Carolina tax dollars, much of the money used to support the military represents a true net addition to the South Carolina economy. In this way, the impacts of the military add to the economy as opposed to simply redistributing existing funds.

A 2004 analysis of the economic impacts of the military in South Carolina focused on the following segments of the state's military presence:

- The operations of Fort Jackson, Shaw Air Force Base and McEntire Air National Guard Station in the Midlands region
- The operations of the Charleston Air Force Base and Naval Weapons Station in Charleston
- The operations of the Marine Corp Air Station, Marine Corps Recruit Depot and Naval Hospital in the Beaufort area
- Military-related visitors, specifically to Fort Jackson, the Marine Corps Recruit Depot, and the Charleston area
- Military Retirees

The major results from that analysis included the following:

- A total of \$7.3 billion in sales accrue annually to South Carolina businesses because of the military's overall presence in the state. Of this

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<sup>7</sup> All figures reported in this section are taken from "The Economic Impact of the Military in South Carolina: A Focus on the Industry Distribution of Economic Activity," by Dr. Don Schunk, prepared for the South Carolina Governor's Military Base Task Force, Spring 2004.

total, \$5.9 billion is due to military base operations, \$1.3 billion is due to the in-state spending of military retirees, and just under \$100 million is due to military-related visitors.

- Across South Carolina, a total of nearly 142,000 jobs are directly or indirectly supported by the presence of the military. This job total represents nearly 8 percent of total employment in South Carolina. Of this job total, about 54,000 are jobs directly at military bases while the remainder is spread across virtually every sector of the state's economy.
- The military's presence supports about \$5.1 billion annually in personal income for South Carolinians. Again, this income flows throughout the economy, not just to those directly employed at the military installations.
- The total impact of the military on businesses in the Midlands amounts to \$2.3 billion each year. This economic activity helps support 55,500 jobs and \$1.9 billion in personal income in the Midlands area.
- The military's impact in the Charleston area amounts to \$3.5 billion worth of sales at local businesses, a total of 64,300 jobs, and \$2.2 billion in personal income.
- ***The military's presence in Beaufort supports a total of \$717.5 million in sales at local businesses. This spending supports a total of 17,500 jobs and \$614.6 million in personal income each year.***

These results clearly show the substantial impact of the military on South Carolina's economy. While the magnitude of these impacts is vital to understanding the importance of the military, it is also important to understand the breadth of the economic effects by estimating the industry distribution of this business activity. The following tables present the estimated impacts of the military around the Beaufort area, including a list of the 40 sectors of the local economy that are most affected by the military's presence. All of the estimated impacts presented in the following tables are based on direct data covering military base expenditures, visitor expenditures, and retiree income and expenditures. The direct spending figures come from a variety of sources, including direct correspondence with military bases, local economic development officials, and several federal government databases. These direct effects then form the basis for estimating the multiplier effects using IMPLAN, a widely used program for modeling economic impacts that relies on data specific to the state and county economies.

These results are integral for understanding the linkages between the military and the Beaufort County economy.

# Figure 36. Military Impacts in Beaufort County

## 2003 Data

**BASE OPERATIONS**

**Marine Corps Air Station**

	Direct Impacts	Multiplier Impacts	Total Impacts
Business Sales	\$172,591,529	\$118,049,690	\$290,641,219
Employment	5,125	3,470	8,595
Labor Income	\$142,500,000	\$98,915,978	\$241,415,978

**Marine Corps Recruit Depot**

	Direct Impacts	Multiplier Impacts	Total Impacts
Business Sales	\$150,117,662	\$100,405,621	\$250,523,283
Employment	2,705	2,992	5,697
Labor Income	\$134,900,000	\$84,669,348	\$219,569,348

**Naval Hospital**

	Direct Impacts	Multiplier Impacts	Total Impacts
Business Sales	\$53,992,691	\$36,062,894	\$90,055,585
Employment	1,120	1,025	2,145
Labor Income	\$33,500,000	\$30,802,580	\$64,302,580

**VISITORS**

**Marine Corps Recruit Depot**

	Total Impacts
Business Sales	\$10,963,274
Employment	199
Labor Income	\$4,337,917

**RETIREE SPENDING**

	Total Impacts	Retiree Income
Business Sales	\$75,335,692	
Employment	903	
Labor Income	\$24,945,877	\$60,000,000

**OVERALL MILITARY IMPACT ON THE LOWCOUNTRY (BASE OPERATIONS AT MCAS, MCRD, MCRD VISITORS, AREA MILITARY RETIREES)**

	Total Impacts
Business Sales	\$717,519,053
Employment	17,539
Personal Income	\$614,571,700

All dollar figures are in 2003 dollars. For base operations impacts, the direct impacts include: base expenditures in the local economy, the spending of personnel payroll in the local economy, and military and civilian employment directly at the base. MCRD visitor impacts are based on an estimate of \$6.5 million in visitor spending annually. The \$10.96 million impact of visitor spending includes the \$6.5 million in direct spending and the multiplier effects of this direct expenditure. The retiree spending impacts are based on the local expenditures of retirees living in the 2993-digit zip code area.

## Figure 37. Annual Sales at Beaufort Businesses due to MCAS

2003 Data

Industry	Annual Sales
1 Maintenance and Repair Other Facilities	\$22,854,290
2 Other Business Services	\$22,599,938
3 Real Estate	\$16,559,736
4 Eating & Drinking	\$11,308,756
5 Maintenance and Repair- Residential	\$11,220,838
6 Doctors and Dentists	\$10,596,819
7 Wholesale Trade	\$8,655,669
8 State and Local Electric Utilities	\$8,255,198
9 Communications- Except Radio and TV	\$7,525,192
10 Banking	\$7,446,452
11 Services To Buildings	\$6,845,627
12 Automotive Dealers & Service Stations	\$6,136,297
13 Miscellaneous Retail	\$5,551,071
14 Food Stores	\$4,771,349
15 Hospitals	\$4,754,697
16 Insurance Carriers	\$4,589,648
17 Electric Services	\$4,216,401
18 Management and Consulting Services	\$4,210,117
19 Engineering- Architectural Services	\$4,143,626
20 Hotels and Lodging Places	\$3,867,895
21 Other State and Local Govt Enterprises	\$3,860,263
22 State/Local Govt NonEducation	\$3,820,325
23 Cyclic Crudes- Interm. & Indus. Organic	\$3,806,101
24 Motor Freight Transport and Warehousing	\$3,533,490
25 General Merchandise Stores	\$3,331,053
26 Legal Services	\$2,887,716
27 Credit Agencies	\$2,436,092
28 Automobile Repair and Services	\$2,396,261
29 Amusement and Recreation Services-	\$2,294,454
30 Accounting- Auditing and Bookkeeping	\$2,282,224
31 Apparel & Accessory Stores	\$2,123,925
32 Other Medical and Health Services	\$2,094,866
33 Furniture & Home Furnishings Stores	\$1,983,380
34 Transportation Equipment- N.E.C	\$1,955,925
35 Apparel Made From Purchased Materials	\$1,858,238
36 Building Materials & Gardening	\$1,813,635
37 Security and Commodity Brokers	\$1,787,570
38 Commercial Printing	\$1,651,870
39 Miscellaneous Plastics Products	\$1,518,635
40 Insurance Agents and Brokers	\$1,471,669

The sales figures represent total sales, including the direct and multiplier-generated sales. These industries are the 40 most affected out of a total of more than 250 affected industries.

## Figure 38. Annual Sales at Beaufort Businesses due to MCRD

2003 Data

Industry	Annual Sales
1 Real Estate	\$15,190,573
2 Maintenance and Repair Other Facilities	\$14,901,221
3 Other Business Services	\$14,756,347
4 Eating & Drinking	\$10,778,502
5 Doctors and Dentists	\$10,621,225
6 Maintenance and Repair- Residential	\$7,944,896
7 Wholesale Trade	\$7,854,052
8 Banking	\$7,314,198
9 Communications- Except Radio and TV	\$6,520,665
10 Automotive Dealers & Service Stations	\$5,722,776
11 State and Local Electric Utilities	\$5,419,029
12 Miscellaneous Retail	\$5,221,782
13 Insurance Carriers	\$4,821,881
14 Hospitals	\$4,608,007
15 Services To Buildings	\$4,514,824
16 Food Stores	\$4,505,698
17 State/Local Govt NonEducation	\$3,956,912
18 Electric Services	\$3,929,396
19 Cyclic Crudes- Interm. & Indus. Organic	\$3,701,116
20 Other State and Local Govt Enterprises	\$3,563,343
21 Hotels and Lodging Places	\$3,530,598
22 Management and Consulting Services	\$3,180,524
23 General Merchandise Stores	\$3,174,971
24 Motor Freight Transport and Warehousing	\$3,102,712
25 Legal Services	\$2,677,408
26 Engineering- Architectural Services	\$2,674,520
27 Automobile Repair and Services	\$2,226,730
28 Credit Agencies	\$2,220,334
29 Amusement and Recreation Services-	\$2,206,687
30 Other Medical and Health Services	\$2,084,817
31 Apparel & Accessory Stores	\$1,994,974
32 Transportation Equipment- N.E.C	\$1,914,951
33 Furniture & Home Furnishings Stores	\$1,855,882
34 Apparel Made From Purchased Materials	\$1,820,632
35 Accounting- Auditing and Bookkeeping	\$1,818,896
36 Building Materials & Gardening	\$1,661,622
37 Security and Commodity Brokers	\$1,584,289
38 Insurance Agents and Brokers	\$1,546,135
39 Commercial Printing	\$1,410,349
40 Miscellaneous Plastics Products	\$1,402,244

The sales figures represent total sales, including the direct and multiplier-generated sales. These industries are the 40 most affected out of a total of more than 250 affected industries.

## Figure 39. Annual Sales at Beaufort Businesses due to Naval Hospital

2003 Data

Industry	Annual
1 Real Estate	\$11,028,248
2 Management and Consulting Services	\$6,253,460
3 Eating & Drinking	\$3,823,725
4 Wholesale Trade	\$3,229,790
5 Communications- Except Radio and TV	\$2,958,774
6 Doctors and Dentists	\$2,879,698
7 Other Business Services	\$2,437,575
8 Cyclic Crudes- Interm. & Indus. Organic	\$2,435,208
9 Banking	\$2,339,082
10 Maintenance and Repair Other Facilities	\$1,850,309
11 Legal Services	\$1,701,772
12 Services To Buildings	\$1,626,072
13 Hotels and Lodging Places	\$1,592,501
14 Electric Services	\$1,582,246
15 Automotive Dealers & Service Stations	\$1,567,696
16 Miscellaneous Retail	\$1,455,074
17 Motor Freight Transport and Warehousing	\$1,436,239
18 Hospitals	\$1,339,372
19 Maintenance and Repair- Residential	\$1,319,854
20 Food Stores	\$1,278,777
21 Insurance Carriers	\$1,259,935
22 Other State and Local Govt Enterprises	\$1,182,429
23 State/Local Govt NonEducation	\$1,085,684
24 U.S. Postal Service	\$1,075,126
25 Commercial Printing	\$904,114
26 Accounting- Auditing and Bookkeeping	\$896,912
27 General Merchandise Stores	\$881,606
28 Automobile Repair and Services	\$841,365
29 Credit Agencies	\$89,235
30 Security and Commodity Brokers	\$746,805
31 Miscellaneous Plastics Products	\$670,128
32 Amusement and Recreation Services-	\$629,470
33 Other Medical and Health Services	\$584,813
34 Broadwoven Fabric Mills and Finishing	\$571,230
35 Apparel & Accessory Stores	\$565,449
36 Furniture & Home Furnishings Stores	\$524,480
37 Periodicals	\$516,936
38 Landscape and Horticultural Services	\$503,624
39 Transportation Equipment- N.E.C	\$479,341
40 Miscellaneous Publishing	\$474,157

The sales figures represent total sales, including the direct and multiplier-generated sales. These industries are the 40 most affected out of a total of more than 250 affected industries.

## Figure 40. Annual Sales at Beaufort Businesses due to MCRD Visitors

2003 Data

Industry	Annual Sales
1 Miscellaneous Retail	\$2,429,525
2 Hotels and Lodging Places	\$2,369,552
3 Eating & Drinking	\$2,235,967
4 Real Estate	\$524,818
5 Communications- Except Radio and TV	\$180,853
6 Wholesale Trade	\$152,252
7 Other Business Services	\$139,908
8 Banking	\$137,623
9 Maintenance and Repair Other Facilities	\$123,764
10 Electric Services	\$117,803
11 Doctors and Dentists	\$106,796
12 Management and Consulting Services	\$105,382
13 Credit Agencies	\$88,578
14 Hospitals	\$82,667
15 Maintenance and Repair- Residential	\$78,450
16 Automotive Dealers & Service Stations	\$77,763
17 Motor Freight Transport and Warehousing	\$74,108
18 Food Stores	\$73,007
19 Other State and Local Govt Enterprises	\$65,365
20 Legal Services	\$61,053
21 Services To Buildings	\$55,049
22 Accounting- Auditing and Bookkeeping	\$54,072
23 Commercial Printing	\$51,007
24 Automobile Repair and Services	\$44,270
25 Miscellaneous Publishing	\$43,105
26 General Merchandise Stores	\$42,712
27 Radio and TV Broadcasting	\$39,560
28 Periodicals	\$39,365
29 Advertising	\$36,511
30 Amusement and Recreation Services-	\$35,942
31 Apparel & Accessory Stores	\$32,768
32 U.S. Postal Service	\$31,891
33 Motion Pictures	\$31,529
34 State and Local Electric Utilities	\$31,171
35 Furniture & Home Furnishings Stores	\$30,414
36 Building Materials & Gardening	\$29,606
37 Security and Commodity Brokers	\$28,701
38 Other Medical and Health Services	\$26,280
39 Laundry- Cleaning and Shoe Repair	\$25,560
40 Sanitary Services and Steam Supply	\$25,511

The sales figures represent total sales, including the direct and multiplier-generated sales. These industries are the 40 most affected out of a total of more than 250 affected industries.



## Figure 41. Annual Sales at Beaufort Businesses due to Military Retirees

2003 Data

Industry	Annual Sales
1 Real Estate	\$5,197,039
2 Doctors and Dentists	\$4,048,043
3 Eating & Drinking	\$4,025,851
4 Wholesale Trade	\$2,816,486
5 Banking	\$2,579,290
6 Automotive Dealers & Service Stations	\$2,101,054
7 Communications- Except Radio and TV	\$2,022,859
8 Miscellaneous Retail	\$1,947,998
9 Insurance Carriers	\$1,853,890
10 Food Stores	\$1,691,737
11 Hospitals	\$1,680,899
12 State/Local Govt NonEducation	\$1,608,558
13 Cyclic Crudes- Interm. & Indus. Organic	\$1,508,058
14 Electric Services	\$1,444,112
15 Other State and Local Govt Enterprises	\$1,254,721
16 General Merchandise Stores	\$1,214,683
17 Hotels and Lodging Places	\$1,141,499
18 Maintenance and Repair- Residential	\$1,097,364
19 Motor Freight Transport and Warehousing	\$978,735
20 Other Business Services	\$937,272
21 Maintenance and Repair Other Facilities	\$930,791
22 Legal Services	\$911,301
23 Amusement and Recreation Services-	\$826,825
24 Transportation Equipment- N.E.C	\$794,309
25 Automobile Repair and Services	\$781,153
26 Other Medical and Health Services	\$780,243
27 Credit Agencies	\$777,482
28 Apparel Made From Purchased Materials	\$770,208
29 Apparel & Accessory Stores	\$741,393
30 Furniture & Home Furnishings Stores	\$684,687
31 Management and Consulting Services	\$615,734
32 Security and Commodity Brokers	\$596,417
33 Insurance Agents and Brokers	\$594,449
34 Building Materials & Gardening	\$587,257
35 Miscellaneous Plastics Products	\$525,807
36 Broadwoven Fabric Mills and Finishing	\$473,919
37 Miscellaneous Publishing	\$458,238
38 Accounting- Auditing and Bookkeeping	\$431,906
39 Fluid Milk	\$423,793
40 Meat Packing Plants	\$421,118

The sales figures represent total sales, including the direct and multiplier-generated sales. These industries are the 40 most affected out of a total of more than 250 affected industries.

## Figure 42. Annual Sales at Beaufort Businesses due to Overall Military Presence

2003 Data

Industry	Annual Sales
1 Real Estate	\$48,500,414
2 Other Business Services	\$40,871,040
3 Maintenance and Repair Other Facilities	\$40,660,375
4 Eating & Drinking	\$32,172,801
5 Doctors and Dentists	\$28,252,581
6 Wholesale Trade	\$22,708,249
7 Maintenance and Repair- Residential	\$21,661,402
8 Banking	\$19,816,645
9 Communications- Except Radio and TV	\$19,208,343
10 Miscellaneous Retail	\$16,605,450
11 Automotive Dealers & Service Stations	\$15,605,586
12 State and Local Electric Utilities	\$14,506,476
13 Management and Consulting Services	\$14,365,217
14 Services To Buildings	\$13,369,724
15 Insurance Carriers	\$12,543,899
16 Hotels and Lodging Places	\$12,502,045
17 Hospitals	\$12,465,642
18 Food Stores	\$12,320,568
19 Cyclic Crudes- Interm. & Indus. Organic	\$11,461,192
20 Electric Services	\$11,289,958
21 State/Local Govt NonEducation	\$10,471,479
22 Other State and Local Govt Enterprises	\$9,926,121
23 Motor Freight Transport and Warehousing	\$9,125,284
24 General Merchandise Stores	\$8,645,025
25 Legal Services	\$8,239,250
26 Engineering- Architectural Services	\$7,255,072
27 Credit Agencies	\$6,361,721
28 Automobile Repair and Services	\$6,289,779
29 Amusement and Recreation Services-	\$5,993,378
30 Other Medical and Health Services	\$5,571,019
31 Accounting- Auditing and Bookkeeping	\$5,484,010
32 Apparel & Accessory Stores	\$5,458,509
33 Transportation Equipment- N.E.C	\$5,147,216
34 Furniture & Home Furnishings Stores	\$5,078,843
35 Apparel Made From Purchased Materials	\$4,917,458
36 Security and Commodity Brokers	\$4,743,782
37 Building Materials & Gardening	\$4,561,756
38 Commercial Printing	\$4,435,742
39 Miscellaneous Plastics Products	\$4,128,940
40 Insurance Agents and Brokers	\$4,022,197

The sales figures represent total sales, including the direct and multiplier-generated sales. These industries are the 40 most affected out of a total of more than 250 affected industries.

### *Effects of an Aging Population*

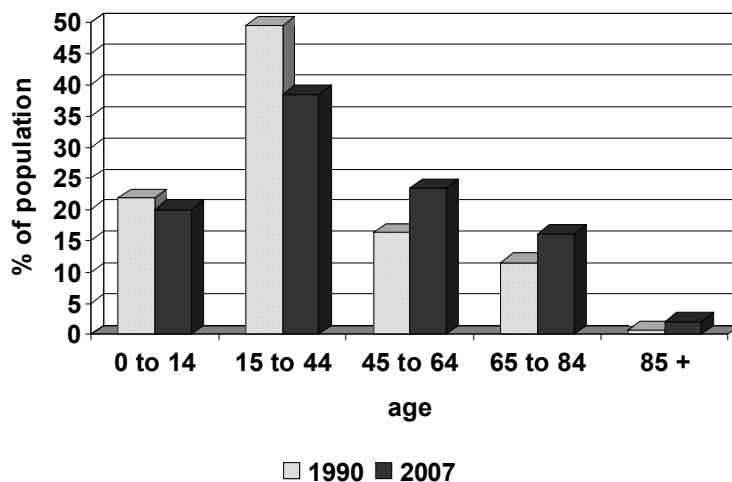
South Carolina has consistently seen its population grow slightly faster than the national average in recent decades. Between 1980 and 1990, the state's population grew a total of 11.7 percent compared to 9.8 percent nationally. Between 1990 and 2000, South Carolina's population grew 15.1 percent while the nation's population grew by 13.1 percent. This trend appears to be continuing into the earliest years of the 21<sup>st</sup> century. Between the 2000 Census and 2004, South Carolina has seen population growth of 4.6 percent while the U.S. has grown by 4.3 percent.

These are long-term trends that are likely to persist as the U.S. population continues to move towards the South and West from the North and East. Since 1790, the mean center of the U.S. population has moved roughly 1,000 miles to the West and South from Chestertown, Maryland in 1790 to Edgar Springs, Missouri as of 2000.<sup>8</sup>

South Carolina's population is not only growing relatively quickly, but it is also aging relatively quickly. In 1970, for example, 50.5 percent of the state's population was less than 25 years old. By 2000, the share of residents in this age range had fallen to 35.3 percent. Meanwhile, the share of the population aged 55 years and older has risen from 15.4 percent in 1970 to 21.4 percent in 2000. Between 1990 and 2000, the number of people aged 15 to 34 in South Carolina actually fell from about 1.15 million to less than 1.14 million.

The changing age distribution of Beaufort County's population between 1990 and 2007 is shown in Figure 43. Overall, the share of the county's population that is between the ages of 0 and 44 fell from 71 percent in 1990 to 58 percent by 2007. Meanwhile, the share of the population aged 65 and older rose from 12 percent to 18 percent over the same time period.

**Figure 43. Beaufort County Population Distribution**  
1990 and 2007



<sup>8</sup> The U.S. Census Bureau issues the location of the mean center of the U.S. population after each decennial census. Between 1990 and 2000, the mean center of the population moved more than 12 miles south and more than 35 miles west.

This aging of the population will have substantial labor force and government finance impacts in the coming years and decades. For the U.S., according to the Bureau of Labor Statistics the percentage of the labor force aged 45 and older stood at 33 percent in 1998. It is estimated that by 2008, about 40 percent of the labor force will be 45 or older. Meanwhile, the percentage of the labor force between the ages of 25 and 44 is expected to fall from 51 percent in 1998 to 44 percent by 2008. Overall, the median age of the workforce should climb from 38.7 years in 1998 to 40.7 years by 2008.<sup>9</sup>

On a more detailed level, the wave of retiring baby boomers is expected to have the largest impacts on those industries and occupations that are generally less subject to productivity-enhancing gains in technology. For example, occupations such as education and health care tend to see lower gains in productivity. Therefore, large losses from retirement will directly impact the provision of education and health services unless new workers enter these fields. However, even in occupations that do see more productivity advances, such as manufacturing, there can be steep learning curves such that the loss of human capital and institutional knowledge will be felt.

Figure 44 provides estimates of the national retiree replacement needs for certain occupations. Here, the majority of the occupations facing the greatest replacement needs are service-related fields, many of them in education as well as health care and government.

**Figure 44. Occupations with Greatest Retiree Replacement Needs, 1998-2008, U.S.**

<b>Occupation</b>	<b>Retiree replacement needs (thousands)</b>
Secretaries	519
Truck drivers, heavy	425
Teachers, elementary school	418
Janitors and cleaners	408
Teachers, secondary school	378
Registered nurses	331
Bookkeepers, accounting and audit clerks	330
Teachers, college and university	195
Administrators, education and related fields	178
Farmers	175
Supervisors, construction occupations	165
Administrators and officials, public administration	143
Real estate sales occupations	144
Insurance sales occupations	135
Industrial machinery repairers	125
Maids and housekeeping cleaners	122
Private household cleaners	112
Physicians	108
Financial managers	102
Lawyers	99

source: Dohm, Arlene, "Gauging the labor force effects of retiring baby-boomers."

<sup>9</sup> Dohm, Arlene, "Gauging the labor force effects of retiring baby-boomers," *Monthly Labor Review*, July 2000, pp. 17-25.

From the perspective of government revenue generation the aging of the population has three clear implications: one related to the income patterns of the population, one related to the spending patterns of the population, and one driven by the tax breaks for the elderly currently in South Carolina's tax code.

First, as the population continues to age, a growing share of the total population is leaving the peak labor earnings years. Not only does total income generally decline for the aging population, but the mix of income—in terms of labor earnings, transfers, dividends and interest—also changes, such that there can be relatively sharp drops in labor earnings for the aging population. Clearly, both the decline in total income and the shift away from labor earnings suggests downward pressure on individual income tax collections as the population ages. As the state's population continues to age, it is likely that individual income tax revenue will grow more slowly than in the past.

In addition to the income implications of an aging population, there are also shifts in expenditure patterns as people age. Nationally, 35- to 64-year-olds have the highest average level of total spending. In 1998, average household expenditures for this age group were \$42,236. For those under 35 years of age, average household expenditures totaled \$30,291. For those age 65 and older, average household expenditures were \$24,721. Along with the decline in income comes a decline in average expenditures as individuals age. As such, with a growing share of the total population falling into the 65 years and older age group, we would expect to see downward pressure on total expenditures and, therefore, on total sales tax collections (U.S. Bureau of Labor Statistics, 2000).

However, not only will an aging population generally spend less in total, but the composition of those expenditures will also change. Compared with the younger population segments, those age 65 and older spend about the same percentage of total expenditures on food and housing. Meanwhile, they spend a relatively smaller percentage on apparel, services, transportation and entertainment. As might be expected, the older population allocates a substantially greater portion of total expenditures on health care. For example, households in the under-35-age group allocate about 3.2 percent of total spending towards health services. Households between 35 and 64 years spend about 4.7 percent on health care. For the older population, 11.9 percent of all expenditures are for health care services. In fact, not only does this oldest group allocate a greater portion of total spending towards health care, they also spend more on health care in absolute terms than younger households (U.S. Bureau of Labor Statistics, 2000).

Overall, as a greater share of the total population reaches age 65 and older, South Carolina can expect to see a growing number of individuals who not only have lower incomes and lower levels of spending, but there will also be a shift away from spending on traditionally taxable goods towards greater spending on health services—traditionally a nontaxed component of consumer expenditures. As was the case for individual income tax revenues, the aging of the population and the associated shifts in spending patterns would tend to exert downward pressure on sales tax revenues. As the population ages, it is likely that sales tax revenue growth will generally be slower than it has been in the past.

Finally, the aging population will also mean a growing number of South Carolinians will be eligible for the various types of tax breaks currently offered to seniors in the state. These tax breaks include the property tax homestead exemption, individual income tax deductions for those over 65, and the lower sales tax rate for those aged 85 and older. The fact that South Carolina can expect an increasing share of the total population to become eligible for these tax breaks again suggests that the state's revenue system will face increased pressures in the future.

The above discussion suggests that the aging population may create challenges both for the economy and for government budgets. However, these impacts can vary sharply from area to area. In Beaufort County, for example, a large number of relatively wealthy retirees moving into the area will likely have overall positive impacts on the local area. Retirees moving into the area may leave a hole in the labor force in their source region, but won't create any labor force replacement challenges locally in Beaufort.

Indeed, the opposite situation could occur if a portion of these relocating households choose to enter the local labor force. This group likely brings with them a wealth of experience that can benefit and help diversify the local economy whether they directly enter the local labor force, or if they choose to provide assistance to local groups and businesses. That is, retirees to the Beaufort area will bring with them a great deal of knowledge and experience, and to the extent they can become engaged in the local community, they can be tremendous assets for the local economy.

Further, the spending patterns of the retiree population outlined above help dictate the types of economic development that can occur in the wake of this population growth.