



The Economic Impact of the 2023-2025 *Highway 1 Closures Near Big Sur*

September 2025





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Executive Summary

Key Takeaways:

- Landslides closed Highway 1 along the Big Sur coast, severing the flow of travelers, and reducing the amount of economic activity, mostly tourist spending, by roughly \$312 million between 2023 and 2024.
- Local city and county governments lost over \$27 million in tax revenue during these two years.
- The Highway remains closed today and is causing \$13 to \$14 million in economic losses per month, equaling a total of \$438 million since the first slide occurred in January 2023.
- The reduction in tourism is putting local businesses under considerable financial strain. Not only will 2025 be the third year in a row the Highway is closed, the area also faced economic setbacks from a landslide closure in 2017 and even more so from the COVID-19 shutdown.

On January 14, 2023, a major landslide buried a stretch of Highway 1 in Lucia, near Big Sur, on California's central coast. Before Caltrans could repair the damage, a second major slide occurred six miles north of the first one. As of September 2025, a 6.8 mile stretch of the road remains closed, with reconstruction still underway.

This stretch of Highway 1 supports a vibrant tourism ecosystem that visitors from around the world travel to experience. With the road closed, visitors are not able to make this iconic road trip from end-to-end, and fewer have traveled to the region.

This report was commissioned by Visit California, and evaluates the ongoing economic impacts of the Highway 1 closures near Big Sur. As of mid-2025, these impacts continue to mount, with the region losing an estimated \$13 to \$14 million each month as access remains restricted and tourist traffic has dwindled.

The economic impact of the Highway 1 closure near Big Sur was estimated by comparing post-closure spending to projected spending had the road remained open, using statewide tourism trends as a benchmark.

The closures have resulted in \$151 million in economic losses in 2023, \$161 million in 2024, and approximately \$126 million through September 2025, resulting in a total loss of \$438 million as of publication of this report. These figures encompass both direct spending losses and wider ripple effects across supply chains and household income. They are grounded in administrative datasets, including transaction-level sales tax, hotel performance metrics, payroll records, and transient occupancy tax (TOT) receipts.

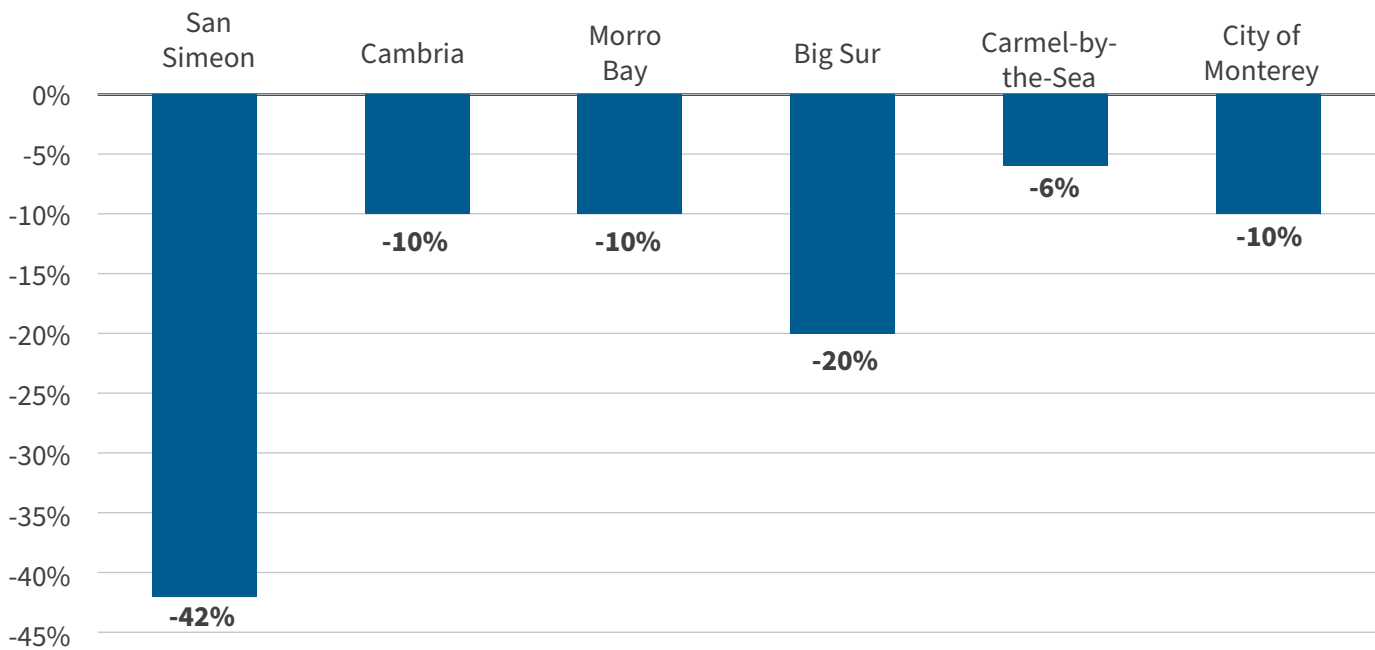
San Simeon and Big Sur experienced the steepest proportional losses. Over the two years, visitor spending at San Simeon dropped 42% relative to baseline expectations. For Big Sur, the road closure resulted in a total loss of \$33 million in visitor spending, reflecting a decline of 20% from baseline expectations for 2023 and 2024. This was driven by their respective isolation and dependency on the Highway, and hotel managers in the area reported having to close segments of their businesses.

In absolute terms, the City of Monterey is home to the largest tourism economy in the region, representing nearly 60% of total tourism spending annually. Similarly, the City of Monterey also endured the largest loss of visitor spending, losing \$145 million over the two years as compared to baseline expectations. Even this well-established tourism hub saw sharp declines in taxable fuel sales and lodging revenues, suggesting the closure deterred road-trippers and reduced overnight stays.

Map of Study Area

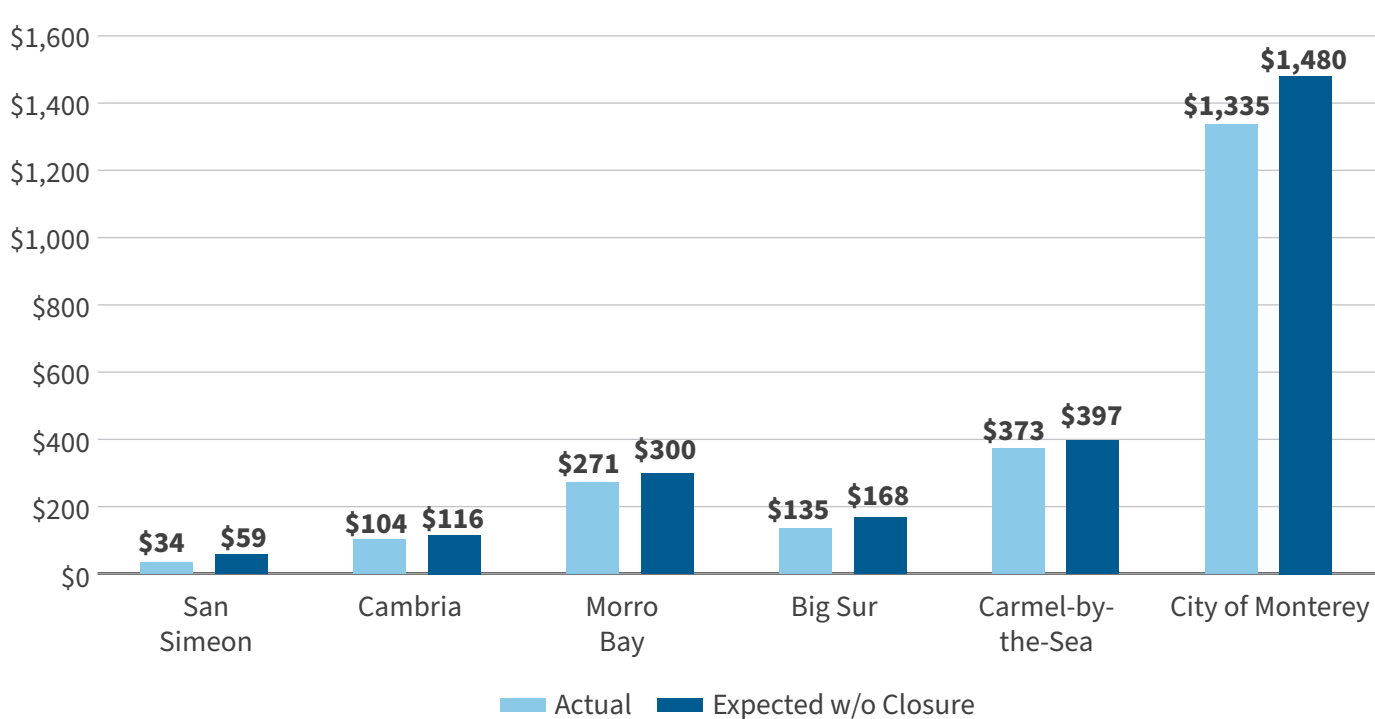


2023 and 2024 Tourism Spending Loss, Relative to Expected Levels
Figure 1



Source: HdL Taxable Sales data and TOT Reports from City and County Budgets. Analysis by Beacon

2023 and 2024 Tourism Spending (\$ millions)
Figure 2



Source: HdL Taxable Sales data and TOT Reports from City and County Budgets. Analysis by Beacon



Reduced tourism spending generates ripple effects throughout the regional economy, affecting industries that depend on or are linked to tourism. These secondary effects were roughly \$44 million in Monterey and San Luis Obispo Counties in 2023 and 2024.

The fiscal implications have also proved consequential. The state government received \$7 million less in taxes in 2023 than it would have without the closure, and \$7.5 million less in 2024. City and county government lost almost double this: \$13.4 million in 2023, and \$13.8 million in 2024. About half the local fiscal shortfall stems from reductions in transient occupancy tax (TOT), a key source of general fund revenue for coastal municipalities. These declines compromise the ability of local governments to fund essential services, economic development, and tourism marketing campaigns.

Fiscal Impacts of the Highway 1 Closures Across Monterey and SLO Counties
Table 1

	2023 (millions)	2024 (millions)
State	-\$7.0	-\$7.5
Local/County	-\$13.4	-\$13.8
Total	-\$20.4	-\$21.3

Source: HdL Sales Tax Revenue and TOT Tax Records. Analysis by Beacon Economics.

The closures come on the heels of two earlier shocks: the 2017 Mud Creek Slide and the COVID-19 pandemic. Together, these events have compounded the challenges facing the Central Coast’s tourism-dependent economy. While the region weathered the earlier disruptions, the cumulative effect has left businesses with fewer financial reserves and limited resilience. After three major disruptions in less than a decade, many businesses, workers, and communities now face an increasingly uncertain road to recovery.



Introduction

California's Central Coast is one of the most scenic stretches of highway in the United States. The coastline from Morro Bay to Monterey is celebrated for its rugged cliffs, panoramic ocean views, and access to natural landmarks like Big Sur, Pfeiffer Beach, and the Monterey Bay. Beyond its natural beauty, the region supports a diverse and specialized economy that relies heavily on tourism. Tourism-related spending—from family-owned inns and restaurants to iconic attractions like Hearst Castle and the Monterey Bay Aquarium—supports a wide range of businesses and jobs. When access to this area is disrupted, so too is the region's economic stability.

This report focuses on the economic impacts of the Highway 1 closure on the region's tourism economy, beginning in January 2023. In order to study these impacts with greater geographic specificity, the area has been divided into six subregions spanning San Luis Obispo and Monterey counties: Morro Bay, Cambria, San Simeon, Big Sur, Carmel-by-the-Sea, and the City of Monterey.



Together, these regions have a combined population of roughly 80,000, with an economy generating approximately \$10 billion in GDP. Employment stands at roughly 90,000, nearly matching the resident population due to inbound commuting from surrounding inland areas. Tourism and real estate represent the two largest sectors by both output and employment. In 2024, visitor spending reached an estimated \$3.1 billion in Monterey County and \$2.3 billion in San Luis Obispo.¹

Geographic and Economic Context

Highway 1 plays a vital role in connecting the many small towns and natural attractions along the coast. It is not just a transportation corridor; it is the attraction itself. Visitors drive this route specifically for its scenic views. As such, a closure does more than detour traffic – it denies a travel experience. Regions like Big Sur and San Simeon are uniquely dependent on drive-in visitors. When access is cut off, these communities quickly feel the effects.

The local geography compounds the problem. The steep terrain of the Santa Lucia Mountains meets the Pacific Ocean with little buffer, creating a landscape prone to landslides. The remoteness of the region limits the number of viable alternative routes. When closures occur, detours can add several hours to a trip or eliminate access altogether. This, in turn, impacts traveler decision-making and regional mobility.

¹ <https://industry.visitcalifornia.com/research/reports/economic-impact>

Timeline of Closures

The current set of road closures began with Paul's Slide on January 14, 2023, during which more than 500,000 cubic yards of earth collapsed onto the roadway. This was followed by the Regent's Slide on February 9, 2024, another major collapse that required Caltrans to deploy remote-controlled excavators. Then, on March 30, 2024, the Rocky Creek Slip-out occurred, causing a section of the southbound lane to disintegrate and fall into the ocean. The current obstruction at Regent's Slide is causing a 6.8-mile closure of the highway, which is expected to last into early 2026, affecting at least three peak tourism seasons.² Caltrans estimated timeline for reopening has shifted multiple times, with reconstruction hampered by the difficulty of removing debris, the risk of additional slides, and regulatory constraints.

The Highway 1 disruptions that began in 2023 are not isolated incidents but the latest in a string of destructive events. Over the last eight years, the region has experienced three major shocks: the 2017 Mud Creek Slide, the COVID-19 pandemic, and now, the ongoing series of landslides and closures. Together, these disruptions have eroded the financial resilience of local businesses and exposed structural vulnerabilities in transportation planning and economic risk mitigation.



Regents Slide, 2024

² <https://calsta.ca.gov/press-releases/2025-07-18-big-sur-repairs-regents-slide>

The Economic Impact Analysis

This report analyzes the economic impacts of the Highway 1 closures. The methodology used in this report relies on robust administrative datasets, including sales tax data from HdL, employment and wage data from the California Employment Development Department, and transient occupancy tax records from local jurisdictions. Importantly, this report does not rely on survey-based projections or samples. Instead, it uses actual transaction-level data. When modeling assumptions were required, the more conservative estimate was assumed, meaning these estimates should be interpreted to reflect the lower bounds of the economic impact.

By grounding the analysis in empirical data and conservative assumptions, the report aims to inform regional policymakers, business stakeholders, and infrastructure planners about the real economic stakes involved in transportation access along California's Central Coast.

The following sections provide a detailed quantification of economic losses attributable to the Highway 1 closures. Section 2 describes the methodology, including data sources, assumptions, and modeling tools. Section 3 estimates the direct and secondary impacts of the closures on spending and employment. Section 4 provides the fiscal impacts on tax revenues, and Section 5 concludes with a forward-looking discussion.



Methodology

This study draws on raw administrative data rather than surveys, offering direct insight into regional spending patterns across almost all business transactions. This allows for a detailed understanding of economic activity, such as tourist spending. The following section outlines the quantitative and qualitative data sources used.



1. First, detailed sales tax data was broken out by specific geographic areas, by industry, and provided quarterly numbers dating back to 2013. The analysis focuses only on industries affected by tourism, separating visitor spending from local spending and including only the former. These data were provided by HdL, a government auditing firm. Because the dataset is highly specific, only aggregated figures are reported to protect business confidentiality. The industries included were:
 - a. Casual Dining
 - b. Fast-Casual Restaurants
 - c. Grocery Stores
 - d. Hotels/Motels
 - e. Art/Gift/Novelty Stores
 - f. Convenience Stores/Liquor
 - g. Fine Dining
 - h. Service Stations
 - i. Sporting Goods/Bike Stores
 - j. Leisure/Entertainment
 - k. Quick-Service Restaurants
 - l. Transportation/Rentals
2. Second, Beacon examined payroll employment data from the California Employment Development Department. This is data that each company must submit monthly to the state of California for payroll tax purposes. The dataset includes the number of employees each business has, how they are paid, where the business is located, and in which industry sector (to the six-digit NAICS code). This data is provided quarterly, dating back to 2008. Beacon has access to this data because it performs economic forecasting and development services for both San Luis Obispo and Monterey counties.
3. Third, transient occupancy tax (TOT) from government budgets and archives was compiled. TOT is typically set at around 10% and applies to guests staying in hotels, motels, and short-term rentals. Rates vary slightly by jurisdiction, often to help fund local Tourism Marketing Districts. A few study regions, such as San Simeon, are in

unincorporated portions of the county and thus don't report TOT data specifically for their region. Estimates of TOT in these cases are based on sales tax data, which is broken out into these smaller regions. Sales tax data for hotels in San Simeon (excluding TOT-taxed lodging fees) are available, as are totals for all hotels in the county's unincorporated areas. This allows for a direct estimate of San Simeon's share of hotel-related spending relative to the rest of the region. TOT for the unincorporated county is also known, so the proportion of hotel spending in San Simeon is applied to the county's unincorporated TOT figure. These estimates appear reasonable given the number of hotels in each region. Also, given the fact that these areas are smaller, they have relatively little impact on the overall economic impact estimate.

4. Fourth, hotel customer data from eight hotels across the region was provided. This data includes each customer's country of origin and notes Average Daily Rates (ADR), revenue, and other metrics associated with different customer segments. This allows for a study of how customer profiles have changed over time. This data is proprietary and is thus only shared in an aggregated form.
5. Fifth, Beacon has CoStar data for the entire study area. This provides ADR, occupancy, revenue per available room (RevPAR), and other statistics for hotels in the area on a monthly basis, dating back to 2000. This data gives an insight into the financial position of hotels and how they have adjusted their rates in an attempt to adapt to the lower highway traffic.
6. Sixth, to calculate the indirect and induced economic impact effects, Beacon Economics used Input-Output models, run by the industry standard software IMPLAN. This software reports the underlying interrelations of the regional economy, how businesses and industries interact with each other, and enables us to understand how spending in one part of the economy ripples through supply chains and household spending to other parts of the economy. For a more detailed explanation of Input-Output models, please see the Appendix.
7. Last, Beacon Economics conducted half a dozen in-depth stakeholder interviews with managers and business owners across the Cambria, San Miguel, Big Sur, and Carmel regions. These interviews were conducted during June and July of 2025. Interviewees discussed the impacts the highway closure has had on their business and what they have been doing to cope with it. This information was not used to calculate specific empirical figures, but rather to gather observations about how businesses are reacting and what they are experiencing.

In total, these data sources provide a robust and comprehensive set of information to understand the economic impacts of the closure of Highway 1, starting in January 2023. If any estimations or assumptions needed to be made during our calculations, the lower, more conservative estimate was chosen. Accordingly, the figures presented reflect the minimum likely magnitude of the economic impact.



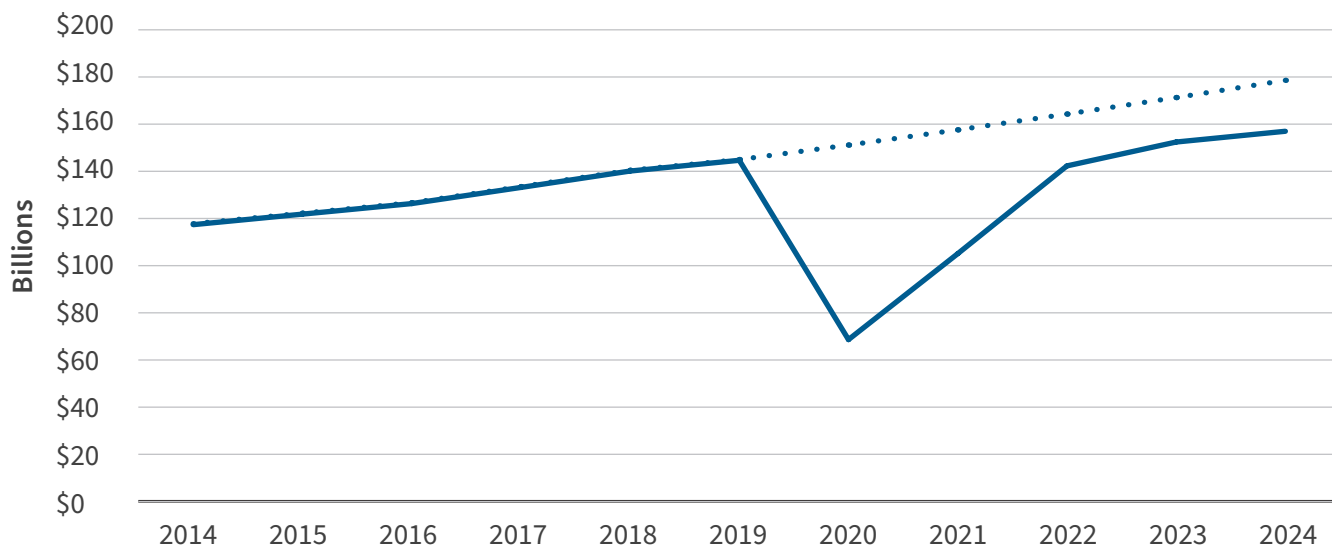
Economic Impacts

The following section lays out the economic impacts of the Highway 1 closure, starting with a brief look at the overall state of California's tourism industry during this period. This clarifies the context and which trends can be attributed to the overall macro conditions of the industry, and which are specifically related to the closure.

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The graph below shows total statewide tourist spending, illustrating a steady increase from \$117.4 billion to \$144.9 billion between 2014 and 2019 at an annual average rate of around 4%. Spending plummeted more than 50% during the 2020 COVID-19 shutdown, but bounced back to \$142.5 billion by 2022. Spending grew 7.2% between 2022 and 2023, finally returning to a more normal growth rate of just over 3% in 2024.

California Tourist Spending
Figure 3



Source: Visit California. Analysis by Beacon Economics.

It is widely known the Covid-19 epidemic was a significant adverse shock to the travel industry. The dotted line in the graph above illustrates a theoretical scenario in which no epidemic occurred and the industry continued its 2014-2019 average growth rate of about 4%. Under this alternate scenario, tourism spending would have reached \$179 billion in 2024—roughly \$22 billion, or 12%, higher than the actual figure.

This is not meant to represent a formal estimate of COVID-19’s economic impact. Rather, it illustrates how major shocks can leave lasting impacts on industries. Past research shows this as well.³ Even after industries recover, they often fall short of where they would have been without the disruption. If a runner trips mid-sprint, she may get up and resume running—but her final time won’t match what she could’ve achieved without the stumble. This dynamic is worth keeping in mind when considering the effects of the Highway 1 closure on local businesses.

³ Alstadt, B., Weisbrod, G., & Cutler, D. (2012, January). Relationship of Transportation Access and Connectivity to Local Economic Outcomes: A Statistical Analysis. Paper presented at the Transportation Research Board Annual Meeting.

Total Economic Impacts

Overall, clear economic loss can be seen across the region, the result of fewer tourists and reduced visitor spending. In both 2023 and 2024, tourists spent less on lodging, food and beverage, entertainment/amusements, and transportation than they did in 2022.

To fully incorporate the damage of the closure, an estimate is made of the spending growth that would have occurred had Highway 1 remained open. This figure is based on the average statewide growth rate of tourist spending, which was 7% in 2023 and 3% in 2024. Tourism in the top 10 largest counties grew an average of 8.5% between 2022 and 2023, and 3.8% between 2023 and 2024. The smallest 10 counties had growth rates around 0% for all of these years. Of California's 58 counties, Monterey County and San Luis Obispo County are the eleventh and twelfth largest in the state in terms of tourism spending, so it is reasonable to assume they would follow similar trends as the larger, faster-growing regions.

Reduced spending on lodging accounts for roughly 48% of the overall decline in tourism spending. Lower expenditures on food and beverage, entertainment/retail, and transportation each contribute an additional 15% to 20%. Transportation typically represents 10% to 15% of a visitor's spending profile, but the share is slightly higher in this case, since it concerns highway driving. A Shell gas station near the closure reported an 80% drop in business.⁴

Roughly 86% of these losses result directly from decreased tourist spending. The other 14% are indirect effects caused by the ripple effects of the tourism industry operating at a suppressed level, as shown in the table below. Like all industries, tourism has a supply chain that connects to other parts of the economy to provide it inputs, such as food for restaurants, clean towels for hotel rooms, gasoline for fuel stations, etc. Less activity in the tourism industry means less activity in related industries (See Section 3.3 for more details).

Combining both the direct losses and the indirect losses, we see that the total overall economic loss caused by the Highway closures are about \$151 million in 2023, roughly 12%. In 2024, the total economic loss was \$161 million, or about 12%. Combined with 2023, this brings the two-year loss to \$312 million. Including year-to-date damages for 2025, the total rises to \$438 million.

⁴ Carlton, J., & Kerrigan, J. (2025, May 31). Landslides leave Big Sur's beloved landmarks fighting for survival. The Wall Street Journal.

Total Economic Impact of Highway 1 Closures
Table 2

	2023 Economic Loss (millions)	2024 Economic Loss (millions)
Total Direct Loss	-\$130	-\$138
Indirect Economic Loss (includes all of SLO and Monterey Counties)	-\$21	-\$23
Total Overall Loss	-\$151	-\$161

Source: Beacon Economics.

Regional Economic Impacts

The economic impacts of the Highway 1 closure were measured across two geographic sets. The first and primary study is the set of coastal communities along the stretch of the impacted coast. The area was divided into six smaller groups to provide localized and precise data. From south to north, this includes

- Morro Bay (San Luis Obispo County)
- Cambria (San Luis Obispo County)
- San Simeon (San Luis Obispo County)
- Big Sur (Monterey County)
- Carmel (Monterey County)
- City of Monterey (Monterey County)

Highway 1 runs through all of these locations, bringing visitors into them. The three southern locations are in San Luis Obispo County, while the three northern locations are in Monterey County. These two counties represent the second geography we measured the economic impacts. They are included in this analysis to ensure any secondary spillover effects from the primary region are captured. The analysis also examines whether some travelers who would normally have taken Highway 1 visited other places within these counties.



Map of Study Area

Looking at each coastal community, it is important to note that the magnitude of these economic effects is different in terms of relative size and absolute size in each region. The slides occurred in a remote area of the coastline. This means that those more remote areas are proportionally the most impacted. However, because they have very small economies, the overall dollar value of the economic impact is smaller there.

Economic Loss Caused By The Highway Closure
Table 3

	Actual Spending Level with Closure			Estimated Spending Level Without Closure		% Change in Actual Spending Levels	% Change in Spending Levels Between Actual and Expected		Direct Economic Loss: Difference Between the Actual and Expected Spending Levels	
	2022 (M)	2023 (M)	2024 (M)	2023 (M)	2024 (M)	2022 to 2023	2022 to 2023	2023 to 2024	2022 to 2023 (M)	2023 to 2024 (M)
San Simeon	\$27	\$17	\$17	\$29	\$30	-37%	-41%	-43%	-\$12	-\$13
Cambria	\$53	\$52	\$52	\$57	\$59	-2%	-9%	-12%	-\$5	-\$7
Morro Bay	\$138	\$135	\$136	\$148	\$152	-2%	-9%	-11%	-\$13	-\$16
Big Sur	\$77	\$71	\$64	\$83	\$85	-8%	-14%	-25%	-\$12	-\$21
Carmel-by-the-Sea	\$182	\$185	\$188	\$196	\$201	2%	-6%	-6%	-\$11	-\$13
Monterey	\$680	\$652	\$683	\$729	\$751	-4%	-11%	-9%	-\$77	-\$68
Total	\$1,158	\$1,112	\$1,140	\$1,241	\$1,278	-4%	-10%	-11%	-\$130	-\$138

Source: Beacon Economics.

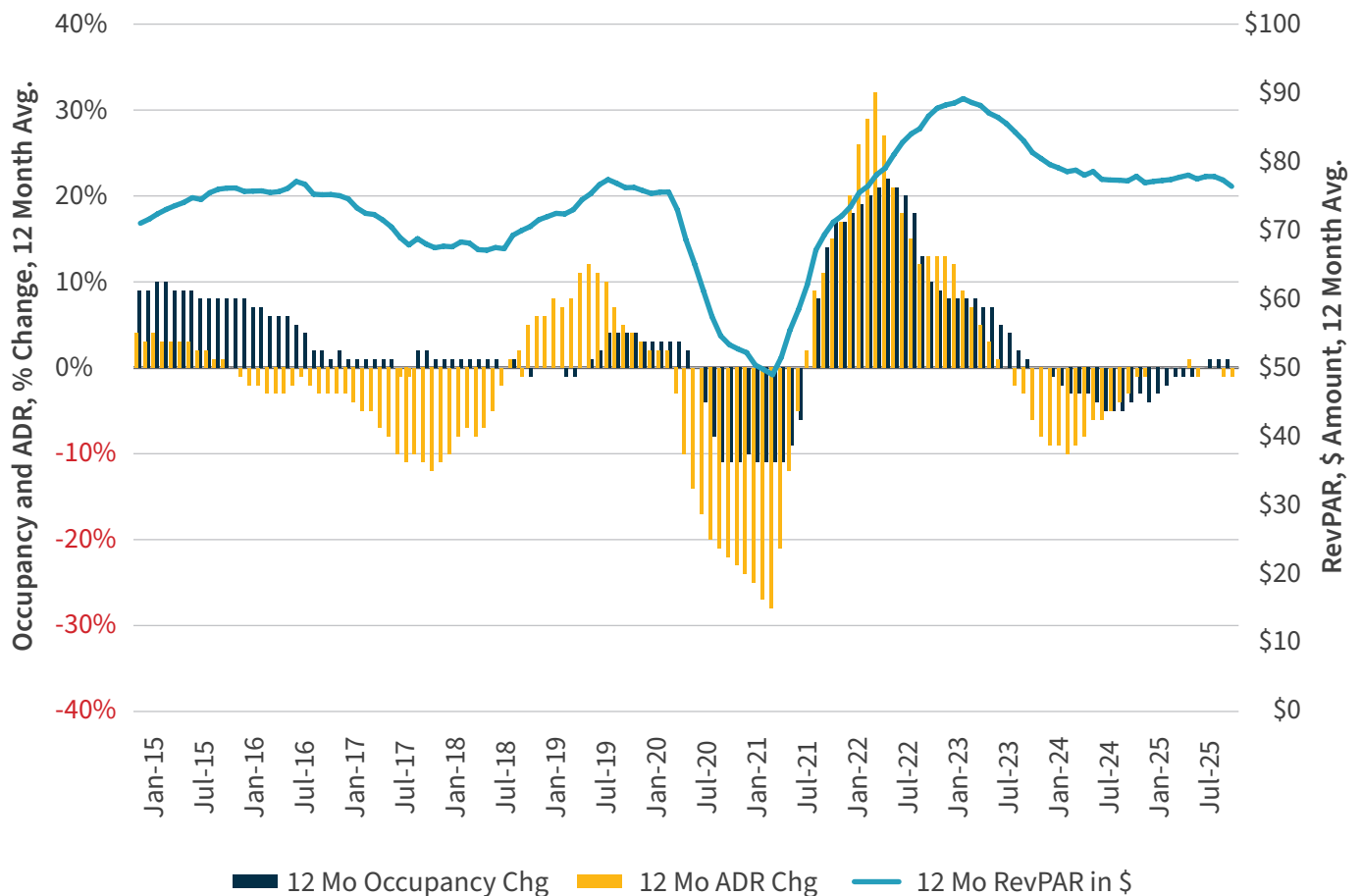
Proportionally speaking, San Simeon and Big Sur emerge as the most impacted regions. This makes sense as they are the closest areas to the slide, the most remote, and the areas with the fewest alternative road connections. Pfeiffer Big Sur State Park lies within the Big Sur study region, so that area did not see as substantial tourism declines as San Simeon, which has effectively become a dead-end, leading to substantially less traffic. It is estimated that business activity there would have been 41% higher if the highway had not closed.

In 2022, tourists spent roughly \$27 million in San Simeon. If the road had remained open, it's expected this number would have risen slightly to \$29M. Instead, nature buried the highway under half a million cubic yards of debris, and tourist spending dropped to \$17 million in 2023 and \$17 million in 2024.

Hotel Managers in this area have had to make major adjustments to their operations to stay in business. One company had to close a wine tasting room, while another had to merge its restaurant and grocery store. Hotels across the area reduced their ADR in an effort to sustain occupancy levels (see Appendix for detailed data on occupancy, ADR, and RevPAR by region). RevPAR is calculated by multiplying occupancy by ADR. As shown in the graph below, RevPAR declined sharply in 2023 and fell further in 2024, driven by a combination of lower room rates and reduced occupancy. Each factor contributed roughly equally to the overall loss in RevPAR in 2024.

San Simeon RevPAR

Figure 4

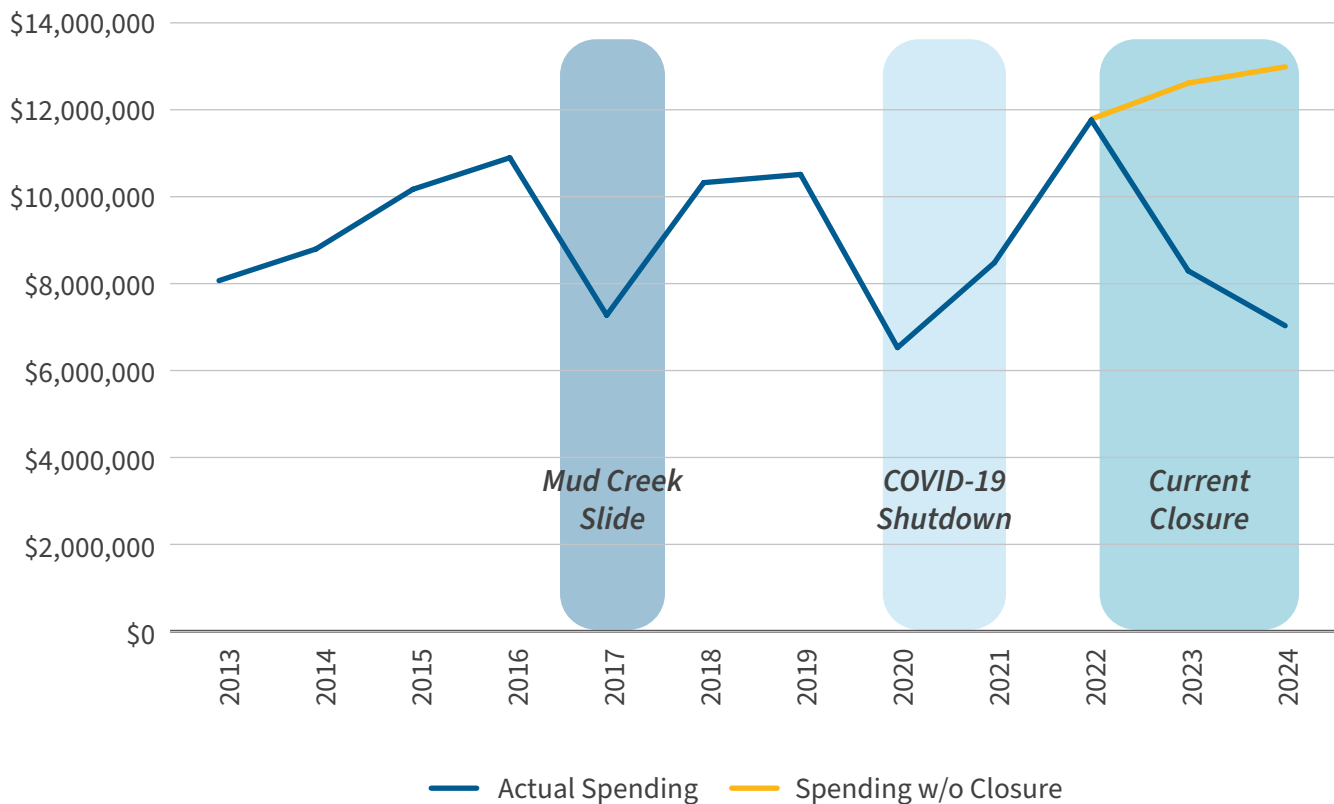


Source: CoStar. Analysis by Beacon Economics.

Near San Simeon is Hearst Castle, a vast estate built by newspaper magnate William Randolph Hearst between 1919 and 1947. Visitation at the castle—now a museum and California State Park—fell from 222,500 during the summer of 2022, to 184,000 during the summer of 2023.⁵

As previously noted, the current closure is the third major shock the region has suffered in eight years. First, in 2017, the Mud Creek slide crashed down in a similar area, closing the highway for the 2017 season. The negative impact of this is immediately evident in the spending data, as shown in the graph below. Next, Covid lockdowns severely impacted both the tourism industry and the economy as a whole. Now, just a couple of years later, the region will miss three tourism seasons in a row: 2023, 2024, and 2025. The local travel industry can absorb one or two shocks, but a third has proven far more difficult. Many businesses now operate with limited reserves and fewer resilience mechanisms. After the 2017 Mud Creek slide, for example, insurers stopped offering Business Interruption coverage in the region. Without adequate safeguards, closures and insolvencies are increasingly likely.

Taxable Sales in the Tourism Sector in San Simeon
Figure 5



Source: HdL taxable sales data. Analysis by Beacon Economics.

⁵ <https://www.sanluisobispo.com/news/local/article281369573.html>

The situation north of the closure is different. This area includes popular attractions such as Pfeiffer Big Sur State Park, Bixby Bridge, and Point Lobos, as well as coastal towns such as Carmel-by-the-Sea and Pebble Beach. The City of Monterey, with its world-famous aquarium, is an important tourist destination in its own right. It is no surprise then that the data shows less severe economic impacts north of the Highway 1 closure.

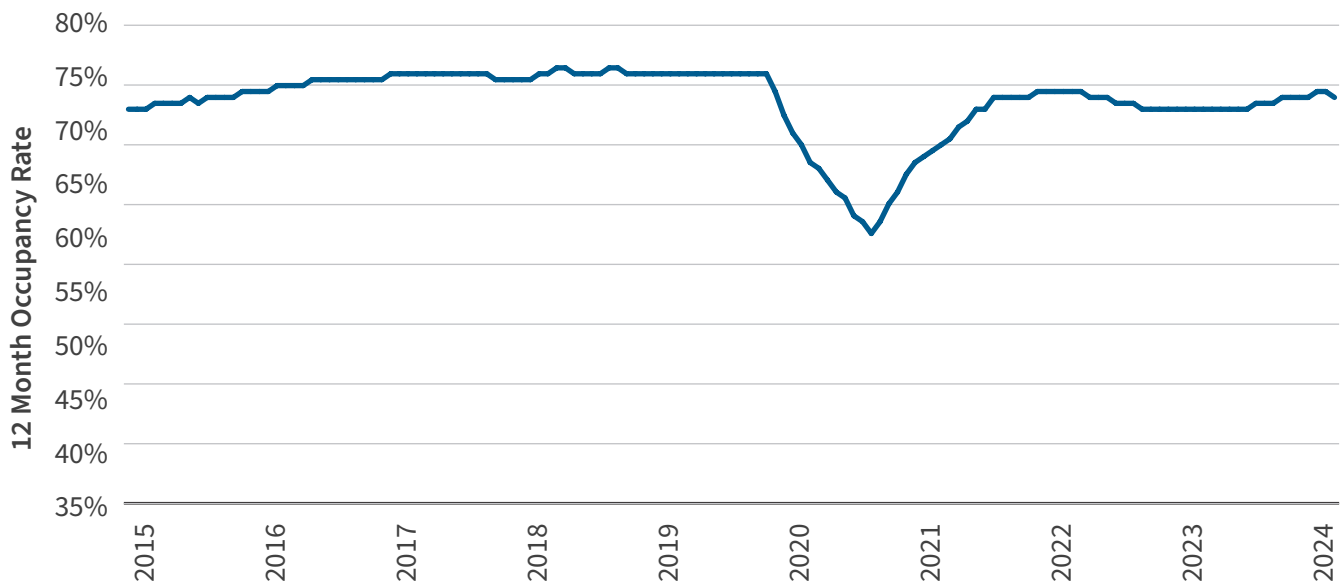
Also, the City of Monterey dwarfs smaller regions to the south, making it a primary driver of the overall economic impact estimation. It represents 59% of the total spending in the study area—\$680 million of \$1.16 billion. It offers many attractions and has 4,700 hotel rooms, 40% of all of the hotel rooms in Monterey County.⁶

Even with such a substantial tourism infrastructure,

the overall industry suffered when the highway closed. Tourist spending on lodging dropped 11%, from about \$360 million in 2022 to \$320 million in 2023. By comparison, tourist spending on lodging across California increased 5% over the same period.⁷ Most Highway 1 travelers are on a road trip, so the impact of its closure is evident at the gas pump. Taxable sales at fuel stations dropped 13.4% from \$42.5 million in 2022 to \$36.8 million in 2023 (note, however, that a 9.7% drop in gasoline prices accounts for roughly two-thirds of the drop).

Despite its status as a global tourist destination, Monterey's occupancy rates have yet to return to their pre-pandemic level, hovering instead around 70%, whereas 75% was the average before 2020. Table X below outlines hotel room supply over time. While inventory has remained stable, demand continues to lag pre-pandemic levels.

City of Monterey, Hotel Occupancy Rate
Figure 6



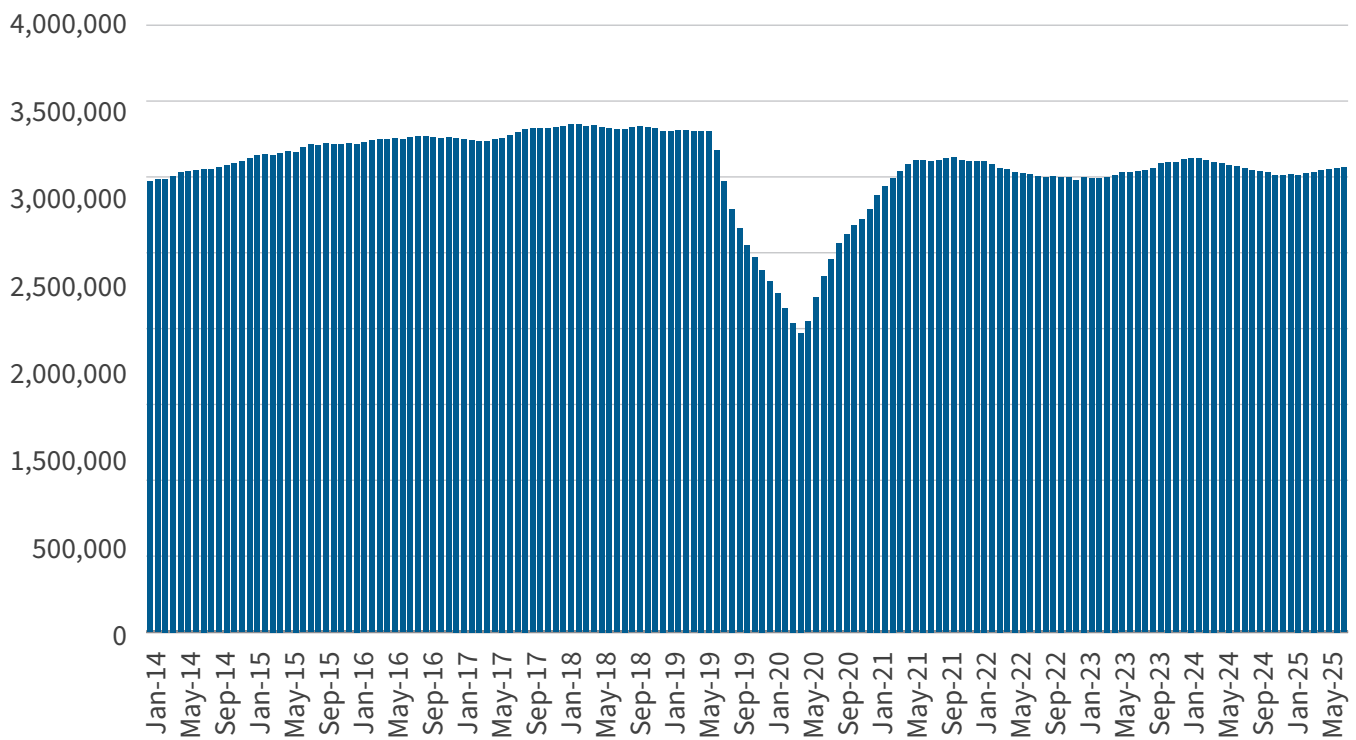
Source: CoStar. Analysis by Beacon Economics.

⁶ CoStar

⁷ <https://static1.squarespace.com/static/5f29e99ee1678935238b675e/t/663ea98e92f9003fc417928d/1715382671853/The+Economic+Impact+of+Travel+2023+%281%29.pdf>



City of Monterey, Number of Occupied Hotel Rooms
Figure 7



Source: CoStar. Analysis by Beacon Economics.

Direct and Secondary Costs

In economic impact studies, economic effects are broken down into three types:

- **Direct Impacts:** the initial economic activity generated by visitor or business spending – for example, lodging, dining, and transportation purchases.
- **Indirect Impact:** the result of supply chain effects, as local businesses purchase goods and services to support that activity.
- **Induced Impacts:** the additional household spending that occurs when workers in directly and indirectly affected industries spend their earnings in the local economy.

The values discussed in the previous section were direct economic impacts. These are the impacts measured directly by tourism spending. The following section includes Indirect and Induced effects. These measure economic impacts across a wider range of industries because they include inter-industry interactions, and thus the geographic scope is expanded to include the total area of each county.

Secondary Impacts is the term for both the indirect and induced effects added together. As the tables below show, the total amount of secondary effects was \$21 million in 2023 and \$23 million in 2024, both representing about 14% of the total economic loss. Secondary Impacts were largest in the coastal study communities. This is because some tourists who avoided the coastal area due to the road closure could have visited and spent money in other parts of Monterey or San Luis Obispo counties. Instead of visiting San Simeon, for example, they may have visited Paso Robles and travelled north on Route 101. Therefore, it cannot be assumed that all tourist spending lost in the coastal area was lost to the county completely.

Still, there is evidence that the closure dissuaded some visitors entirely. For example, taxable tourism sales were down slightly in both counties, which again conflicts with the positive statewide trend. Furthermore, international tourism was down. Customer segmentation data from eight hotels showed that the number of international hotel guests dropped 25% from 2022 to 2023, far greater than the 14% statewide drop in international tourism over the same period. This suggests many international travelers skipped the region all together.

2023 Direct and Secondary Economic Impacts of the Highway 1 Closure

Table 4

	Labor Income (thousands)	Economic Output (thousands)
Coastal Areas: Direct Impact	-\$57,000	-\$130,000
Coastal Areas: Secondary Impact	-\$5,080	-\$13,000
Monterey County: Secondary Impact	-\$2,080	-\$6,000
SLO County Secondary Impact	-\$570	-\$2,000
TOTAL Direct Impacts	-\$57,000	-\$130,000
TOTAL Secondary Impacts	-\$7,000	-\$21,000
TOTAL	-\$64,000	-\$151,000

Source: HdL, BLS, IMPLAN. Analysis by Beacon Economics.

2024 Direct and Secondary Economic Impacts of the Highway 1 Closure

Table 5

	Labor Income (thousands)	Economic Output (thousands)
Coastal Areas: Direct Impact	-\$61,270	-\$138,000
Coastal Areas: Secondary Impact	-\$5,410	-\$15,000
Monterey County: Secondary Impact	-\$2,220	-\$7,000
SLO County: Secondary Impact	-\$620	-\$2,000
TOTAL Direct Impacts	-\$61,000	-\$138,000
TOTAL Secondary Impacts	-\$9,000	-\$23,000
TOTAL	-\$70,000	-\$161,000

Source: HdL, BLS, IMPLAN. Analysis by Beacon Economics.

Furthermore, labor income losses totaled \$64 million in 2023 and \$70 million in 2024. This represents a significant portion of earnings to regional workers, representing the salaries of roughly 1,200 employees.



Fiscal Impacts

The economic activity described above is taxed by governments. Because there is less economic activity, there is less tax collection. These fiscal effects impact city governments, county governments, the California government, and Federal tax collection. The following section outlines these fiscal effects.

Tourism plays a particularly important role in providing tax revenue for local and county governments. Transient occupancy tax is levied at the local and county government level and makes up roughly 15% to 30% of government revenues in Monterey and San Luis Obispo. Sales tax, derived from tourism-related spending, is another significant source of revenue, although a large portion of this also goes to the state government. Still, when tourism decreases, so do government revenues.



In total, governments lost a total of \$35 million in 2023 and \$37 million in 2024 because of the Highway 1 closure. As the table below shows, the California government lost over \$7 million each year. San Luis Obispo County, Monterey County, Carmel-by-the-Sea, and the City of Monterey lost \$13.4 million in 2023 and \$13.8 million in 2024. About 48% of this loss came from declines in TOT revenue, a quarter came from sales tax losses, and the rest came from other taxes, such as property tax.⁸

Fiscal Impacts of the 2023-2024 Highway 1 Closures
Table 6

	2023 (millions)	2024 (millions)
Federal	-\$14.5	-\$15.6
State	-\$7.0	-\$7.5
Local/County	-\$13.4	-\$13.8
Total	-\$34.8	-\$36.9

Source: Beacon Economics.

These losses are still accumulating, and while 2025 figures are not yet available, they are expected to exceed those of 2023 and 2024. Losses in 2024 were already higher than in 2023, and with the tourism industry showing only modest or slowing growth in 2025, this upward trend is likely to persist.

⁸ Besides sales tax and TOT, other taxes include: TOPI property tax, TOPI motor vehicle license, TOPI special assessment, personal taxes on motor vehicle licenses, personal property taxes, and other fees such as fishing and hunting.

Conclusion

The economic impact of the Highway 1 closures near Big Sur has been both significant and persistent. In 2023, the region experienced an estimated \$151 million in total economic losses, followed by \$161 million in 2024. These losses continue to accumulate today. Based on historical spending patterns and current performance data, monthly visitor spending losses are estimated at \$13 to 14 million. Cumulatively, this amounts to \$438 million in economic damages since the first slide.

These figures represent real consequences for residents and businesses. Local workers have seen lower wages fall, reduced shifts, and, in some cases, jobs eliminated altogether. For many small business owners, especially in San Simeon and Big Sur, the lack of consistent tourist traffic has forced painful decisions—closing operations, reducing staff, or cutting services. Hotel managers have lowered room rates and consolidated offerings simply to remain solvent. With half the 2025 tourism season already lost, and full highway access not expected until early 2026, the economic strain is far from over. A brief discussion of forward-looking, preventative policy solutions is included in the appendix.

The Big Sur segment of Highway 1 is more than just a transportation route; it is a global destination and a symbol of California's cultural identity. Yet the series of disruptions—the 2017 Mud Creek slide, the COVID-19 pandemic, and now the ongoing closures—has highlighted structural vulnerabilities in both the region's transportation network and its economic resilience. While local businesses and communities have shown adaptability in the face of these shocks, the cumulative effect has strained their financial and operational capacity. Stabilizing geologically dynamic terrain presents an immense engineering challenge, but reopening and safeguarding the Highway 1 corridor is essential to restoring visitor access, sustaining regional businesses, and preserving one of the state's most iconic assets. Without forward-looking investment and coordinated policy action, the Central Coast's economy will remain at risk of recurring disruption and long-term decline.

Appendix

Input-Output Methodology

Beacon Economics used IMPLAN (Impact Analysis for Planning) to model the indirect and induced effects in this report. This input-output modeling system combines extensive databases to estimate how certain expenditures correlate and affect other industries in the economy through economic multipliers, demographic statistics, and other economic factors. IMPLAN expands on the traditional I-O approach to include transactions among industries and institutions and among institutions themselves, thereby capturing all monetary market transactions in each period.

Types of Impacts

This study categorizes impacts into three types of effects:

- **Direct Effect** – Immediate economic activity generated by visitor spending on tourism-related goods and services. This includes expenditures on lodging, restaurants, retail, attractions, and transportation services directly used by tourists. These transactions represent the first round of spending in the local economy attributable to tourism.
- **Indirect Effect** – Economic activity resulting from business-to-business transactions that support the tourism sector. For example, hotels purchasing supplies from local vendors, restaurants sourcing food from regional distributors, or tour operators hiring maintenance and marketing services. These supply chain interactions amplify the initial visitor spending.
- **Induced Effect** – Economic ripple effects from increased household spending by employees whose jobs are supported directly or indirectly by tourism. Wages earned by hotel staff, servers, retail workers, and transportation providers are spent on housing, groceries, and other local goods and services, further stimulating the regional economy.

The indirect and induced effects are often referred to as “ripple” or “multiplier” effects. When combined, these are known as “secondary” impacts. Definitions of other economic metrics included are:

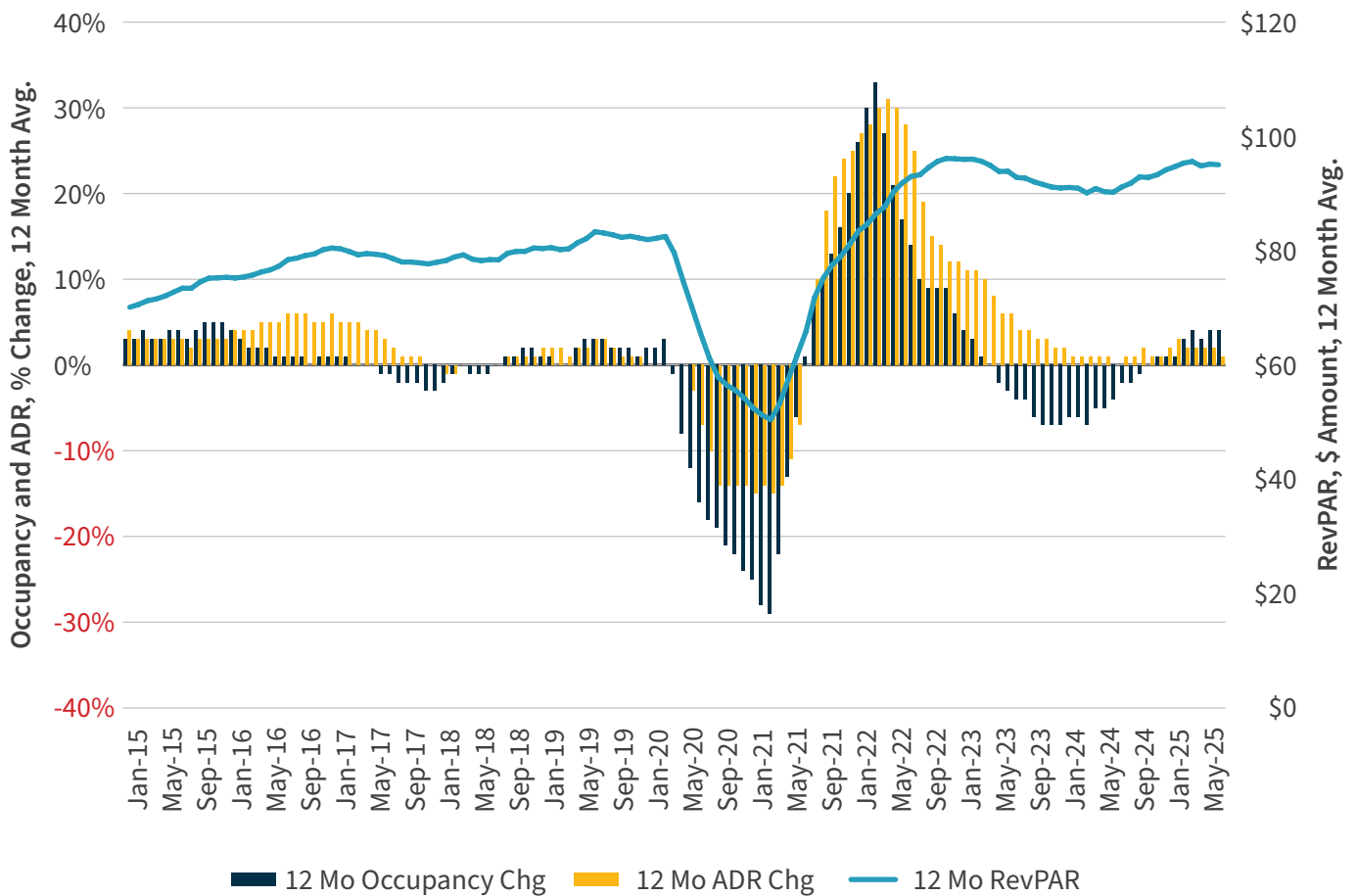
- **Employment** – The total number of part-time, full-time, and temporary jobs supported by the projects, including those generated directly through spending on site preparation, planting, and maintenance, as well as jobs supported indirectly through supply chain and household spending.
- **Labor Income** – The total value of wages, salaries, and benefits (such as healthcare and retirement contributions) earned by workers whose employment is tied to the projects. This includes income from both direct and secondary (indirect and induced) employment.
- **Value Added** – The net contribution to regional gross domestic product (GDP), including employee compensation, proprietor income, taxes on production, and returns to capital.
- **Economic Output** – The total value of goods and services generated by project-related activity. This includes direct spending on labor, materials, and services, as well as economic activity resulting from supply chain purchases and employee spending.





Hotel Performance Metrics

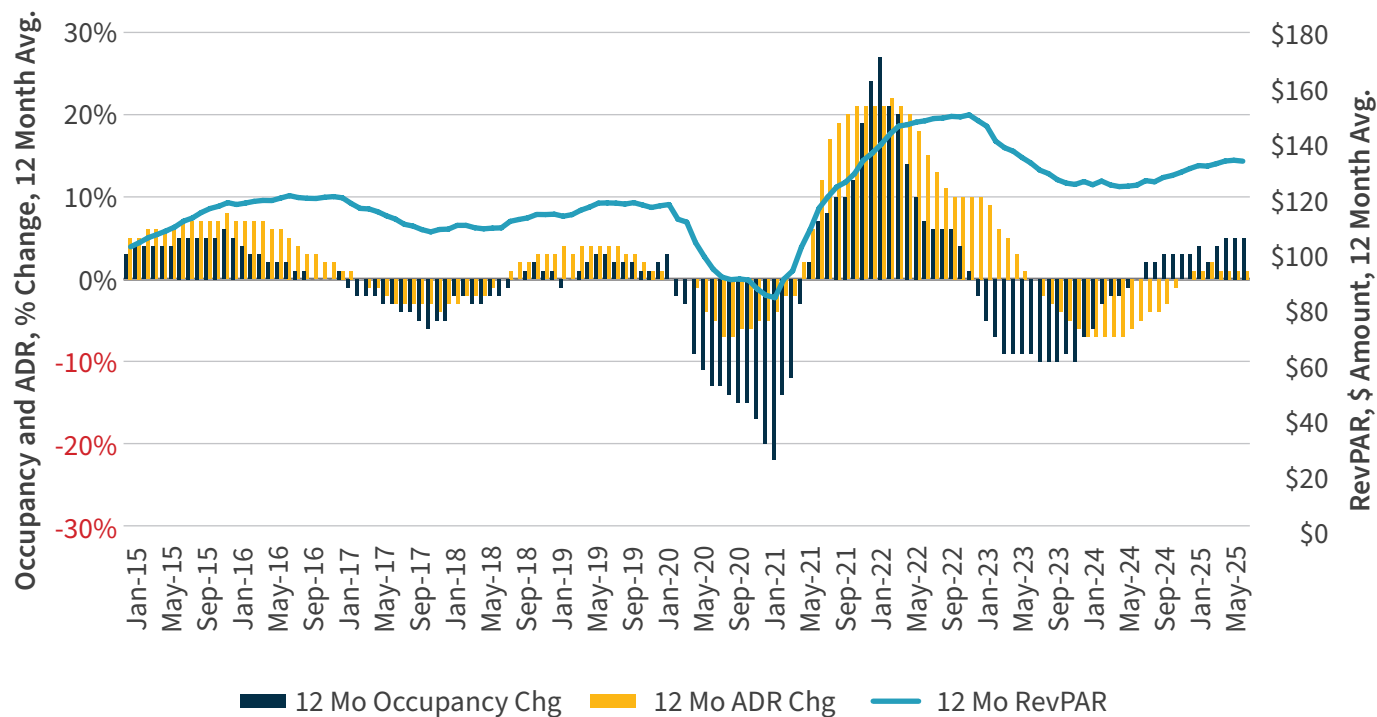
Morro Bay Hotel Performance
Figure 8



Source: CoStar. Analysis by Beacon Economics.

Cambria Hotel Performance

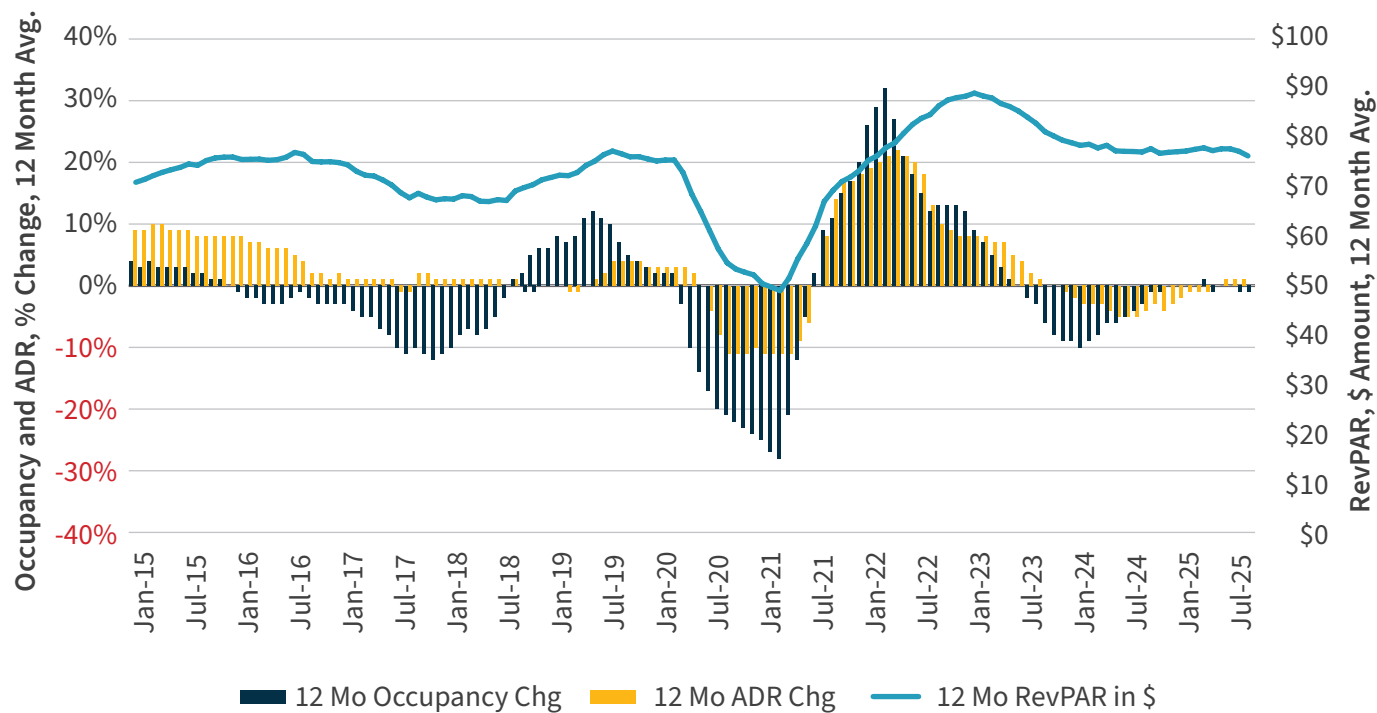
Figure 9



Source: CoStar. Analysis by Beacon Economics.

San Simeon RevPAR

Figure 11

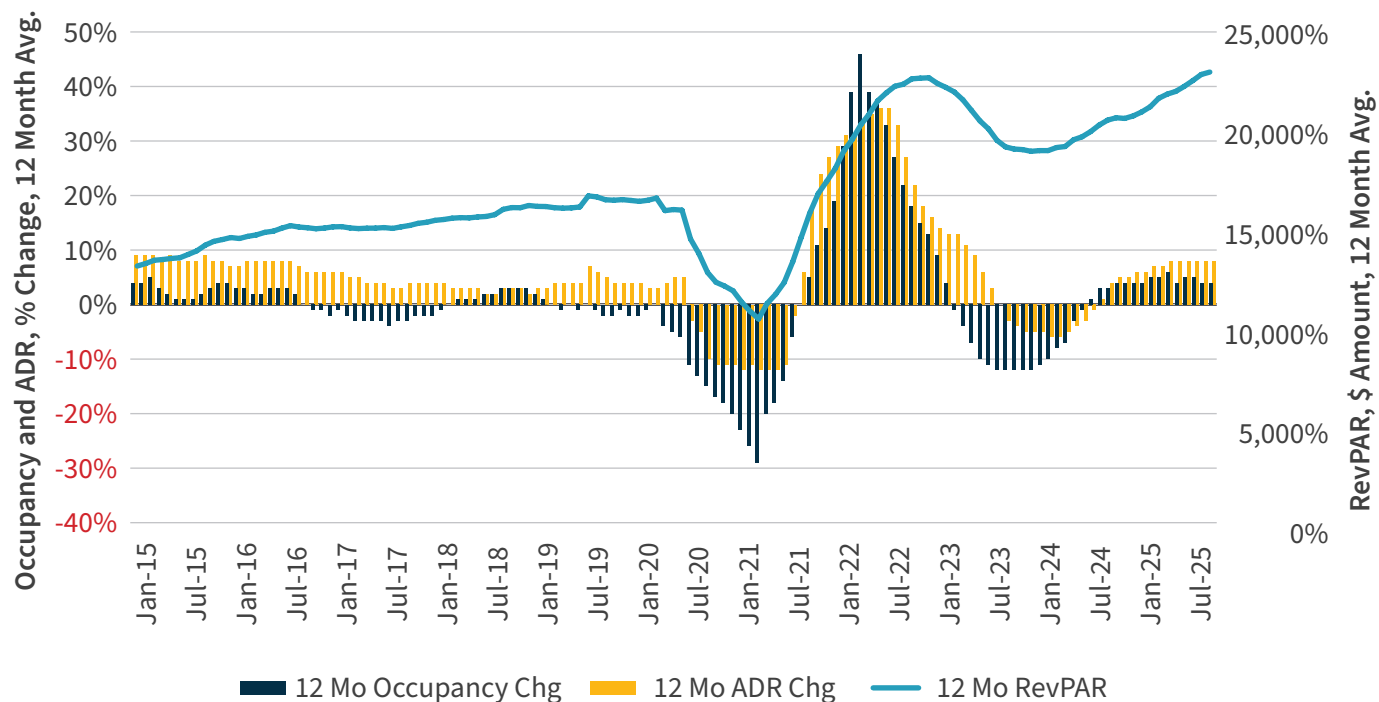


Source: CoStar. Analysis by Beacon Economics.

Note: Because of the low number of hotels, Big Sur's hotel data cannot be shown due to confidentiality reasons.

Carmel Hotel Performance

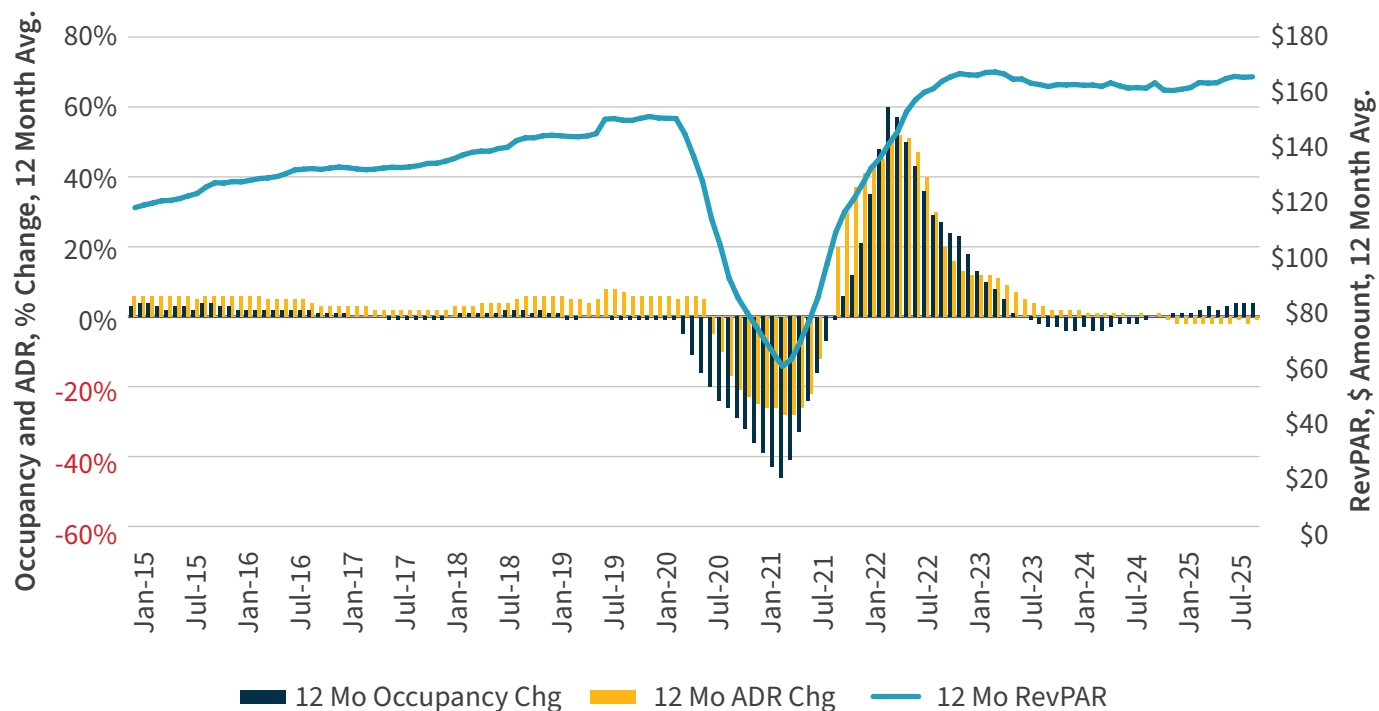
Figure 10



Source: CoStar. Analysis by Beacon Economics.

City of Monterey Hotel Performance

Figure 12



Source: CoStar. Analysis by Beacon Economics.

Note: Because of the low number of hotels, Big Sur's hotel data cannot be shown due to confidentiality reasons.



About Beacon Economics

Founded in 2006, Beacon Economics, an LLC and certified Small Business Enterprise with the state of California, is an independent research and consulting firm dedicated to delivering accurate, insightful, and objectively based economic analysis. Employing unique proprietary models, vast databases, and sophisticated data processing, the company's specialized practice areas include sustainable growth and development, real estate market analysis, economic forecasting, industry analysis, economic policy analysis, and economic impact studies. Beacon Economics equips its clients with the data and analysis they need to understand the significance of on-the-ground realities and to make informed business and policy decisions.

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