

Economic Base Assessment of Delta and Montrose Counties, Colorado

Executive Summary

This report depicts socioeconomic characteristics and trends in Delta and Montrose Counties, Colorado. The analysis begins by providing background information about the region, followed by a more detailed description of various socioeconomic trends, including an analysis of population, employment, industrial make-up, income, and quality of life. Finally, using the IMPLAN input-output model, this report concludes with an economic base analysis that further details economic conditions within the region.

Population levels in both the state and the region have witnessed intensive growth over the last thirty years, causing changes in the make-up of the population and its demands on the regional economy. The influx of retirees has increased the draw on government transfers and the need for community services. In the private sector, nursing and personal care facilities have come to be among the larger employers in the services sector and, as the population ages further, health services will likely be met with increased demand. Tourist demand for both lodging and restaurant services now constitutes a major segment of employment economy-wide. However, it is suggested that despite services industry growth, the region's residents remain underserved.

Following services, retail trade has become the area's second largest employer, which can be directly related to growth in both the resident and tourist populations. This suggests that more income than in the past is being drawn into the region from the outside, and that more local income is able to remain in the local economy. Income in general has continued to grow on a per-capita basis; however, over the last few years the rate of growth has declined. This situation is indicative of the percentage rise in services and retail, which have been shown to generate the least amount of annual wage-related income by industry. The unemployment rate, which is on par with the nation but high compared to the state, likely underestimates the economic stability of area residents, as service and retail industry jobs are characteristically weighted by part-time employment.

Agriculture, although continuing to decline as a percentage of total employment, also has shown some employment growth. However, the industry's vitality is increasingly threatened by

factors of urbanization and escalation in tourism, such as inflated land values and farmland conversion to residential and recreational uses.

One challenge for the region is to not only increase the number of jobs available to its residents, but to provide jobs that pay a living wage while also helping to meet the service needs of the area's growing resident and tourist population. In addition, there is a need to utilize the area's natural resources in a manner that supports both traditional and conventional industries and provides the region with the greatest degree of value added.

The input-output analysis of Delta and Montrose Counties revealed that the economy is fairly diversified, both in terms of existing industries and the types of commodities produced. Overall, manufacturing shows the greatest potential for growth based on demand, both domestically and locally, while services shows more limited growth potential. But if growth is to be achieved via manufacturing, it likely needs to be in areas other than wood products. As far as the forest sector is concerned, wood furniture is a likely candidate for that change in structure, provided there is a proper forest resource base to support it. In addition, service industry growth needs to take place if for no other reason than to reduce the level of leakage from the economy, but this industry has little to offer in terms of value added and therefore needs to be accompanied by other forms of industry growth.

In conclusion, the Delta/Montrose economy appears to be strong, but the capacity of its traditional resource base is diminishing and industry growth areas are those that show little potential for increasing the degree of wealth in the region. Therefore, unless a concerted effort is made to strengthen the economy by way of value-added industries such as manufacturing, it is likely that the region will indeed become, for the most part, a servant economy providing little financial stability for its residents. Increased diversification within the services industry into areas that provide a higher degree of value added may also be a worthwhile endeavor.

Although evidence was not found to support a positive growth potential for the ranching and forest sectors, they are important to the economy as generators of regional wealth. Therefore, the further removal of employment and output in those sectors will likely have a significant negative effect on the regional economy overall. Unless they can be replaced with an equally powerful source of wealth production, which at the moment does not appear to be likely, their preservation is essential to the economic health of the region.