Gilpin: An Economic Overview of the Luckiest County in Colorado
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Executive Summary

Gilpin is a county with two cities that make-up the majority of its revenue. They are both similar but what they share in common that separates them from the rest of the state is one thing: legalized gambling. This paper and its contributors were tasked with analyzing the specifics of what makes-up Gilpin’s economic base, assets, and local residential services (LRS). The data used in the analysis was acquired both through the contributors instructor, Dr. Stephan Weiler, and the contributors themselves. Using a multitude of government sources on the county, state, and federal level, we acquired information on a diverse number of topics that helped paint a picture of what Gilpin is. Focusing mainly on Blackhawk and Central City, we were able to see the great extent that Gilpin has changed from its initial mining roots to a proportionally expansive and extensive gambling operation. Since the early nineties, the county has near exclusively been focused on the growth of this local industry. Despite seeing nominal growth in its population, the county finds itself facing a number of economic issues. Since the Dot Com crash in the early thousands and recession in 2008, the county has not been able to recover as well it’s nearby or similar counties. Namely, evidence as discussed in the paper shows an increasingly large leakage problem, smokestack mentality, and a first-mover/food desert like situation in the county. While this paper is an analysis and does not provide specific solutions to the issues Gilpin faces, it does intend to provide a closer look into what’s going in the county, the nature of the issues, what affects them, and the consequences of the current circumstances there.
Introduction

Gilpin County was a rugged mining town until the mid-1980s when the county lifted the prohibition on certain forms of gambling.\(^1\) Over the next 20 years, the county revenues ballooned to $25 million propelled by gaming taxes.\(^2\) Before the mid-1980s, mining was the primary base industry in Gilpin County. With the mining industry obsolete and unoperational, the contemporary base industries are gaming and the complimentary recreational services. Gilpin county is home to numerous casinos, cannabis dispensaries, and many other assets that are later discussed. The county has seen a demographic shift take place since the peak of the mining industry.\(^3\) While the general population of Colorado has gone up considerably, Gilpin has gained only a few thousand people since the late 19th century. Most of the jobs in the county are now filled by commuters from Jefferson and Adams.\(^4\) The topography of Gilpin county, which doubles as both a potential asset and a current source of amenity, now sets severe constraints on what can be built. In summary, the county economy is reliant on commuters for an industry based upon an artificial comparative advantage, and this serves as the key component in terms of resiliency.

This report will offer an economic base analysis of the county economy, followed by an analysis of the county’s resilience to past and future shocks in aggregate demand, and conclude with a discussion about the implications for the present and future.

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1 Markus, *Colorado Public Radio*, 2017
2 ibid.
3 ibid.
4 Colorado State Demography Office. “Demographic Profiles.”
Economic Base Analysis

Gilpin is a county that has mainly one thing to offer: legal gambling. The county sees the majority of its employment in tourism. The tourism that’s related to its gambling town image accounts for 83% of all employment in the county.\(^5\) More specifically, its resort tourism (recreation, lodging, food) accounts for 97% of all the tourism jobs.\(^6\) Unsurprisingly with the growing number of casinos and renovations to current ones, construction related to tourism is the next largest driver. However, this only accounts for only 1% of all tourism jobs in the county. The traditional sector, or jobs apparent in most counties regardless of nature, of Gilpin is quite small. It has moved away from its mining roots with much of that change starting in the 1980s.\(^7\) Around 48% of all traditional sector jobs in Gilpin are government jobs, though many of these are related to the collection of gaming taxes. The regional service sector of Gilpin is also quite small, with the largest source (45%) of employment in health and education services. Together however, regional services and traditional sector jobs account for only 4% of all employment in the county.\(^8\) In terms of households, Gilpin suffers from a net loss due to the large numbers of commuters who work in

\(^6\) ibid.
\(^7\) Markus, *Colorado Public Radio*, 2017
\(^8\) Bureau of Labor Statistics. “Quarterly Census of Employment and Wages (SIC).”
the resorts. Gilpin also has a small community of 249 retiree households. Many of the commuters are coming from Denver and other nearby counties.

Teller county is the best comparison for Gilpin given the gambling laws. Compared to Gilpin, Teller is a much more diverse county, with tourism accounting for only 27% of all jobs (compared to 81% in Gilpin). The ratio of total jobs to direct basic jobs, or multiplier, is higher for Gilpin than Teller. However this is somewhat misleading given the number of commuters in Gilpin county. The difference between Teller and Gilpin is that Teller sees more of their workforce also living in the area. This most likely stems from the fact that Teller has more local resident services to offer its residents.

**Asset Analysis**

Gilpin is county with a rapidly aging population. With the median age being forty-four and white at over at eighty-percent, the extent of individuals that the county can expect to be in the workforce for long is decreasing. Prior to the recession in 2008, the number of younger adults, children, and etc was higher. Any downward trend in the number of families and young adults is best explained by the lack of amenities outside the nature of gambling. This causes great issue with the legacy of the county. Even if the parents stay and

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10 ibid.
12 “Gilpin County, CO.” Data USA, 2018
age in the county, still contributing to tax revenue and etc, the rate of change in the population and workforce will continue to stagnate. The best evidence for this is their low increase in population rate of one point eight-five percent and decreasing number of employees at a rate a little under one percent.\textsuperscript{13} While Gilpin county receives a sizable sum from gaming taxes, the comparative advantage they hold may be best described as artificial at best. According to the Colorado Gaming Association (CGA) website under benefits, they proudly display:

“Successfully defeated several statewide initiatives to expand gambling in Colorado outside of the three towns of Central City, Black Hawk and Cripple Creek.”\textsuperscript{14} This point is further emphasized on the next point in case the confidence of potential participants isn’t yet instilled saying: “Successful in defeating legislation over the last six years to expand gambling to the major metropolitan areas by placing slot-type devices at Front Range horse and dog tracks.”\textsuperscript{15} Other points further emphasize the emphasis on giving back to community. This is unsurprising granted that board of directors is made up by individuals with ties to the largest casinos in Gilpin county.\textsuperscript{16} With the artificial nature so explicitly made, it’s left to the county to consider what to do if surrounding counties were to somehow to adopt similar businesses. To further emphasize the extent that Gilpin has ingrained itself into gaming, of the 4,658 total number of establishments in Gilpin, 2,104 of those are entertainment and 2,319 are in related accommodation/food jobs.\textsuperscript{17} Gilpin has literally 94.95\% of their establishments in gaming. While these prove somewhat fruitful at the time being, they only exist and last as long as the county holds this advantage. This problem is only further agitates their smokestack investment into

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\textsuperscript{13} “Gilpin County, CO.” Data USA, 2018
\textsuperscript{14} CGA. “Welcome to the Colorado Gaming Association.
\textsuperscript{15} ibid.
\textsuperscript{16} ibid.
\textsuperscript{17} ibid.
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infrastructure and avoids addressing leakage issues. However as whole this asset makeup may be best described as a double edged sword. The makeup as it is currently greatly limits diversity and development potential.

On the upside however, the value of of property has increased significantly across the board. Gilpin see’s a median price of $255,000, a .85% from years prior. A look closer also reveals that residents in Gilpin pay significantly less in property taxes, with 60% paying under $800 a year. In comparison to the national average of only 12.5% paying a similar amount. With low property taxes and highly valued land, Gilpin could surely benefit from it. Whether potential residents looking for a cheaper place to settle down or potential business hoping to set up shop.

Topographical challenges do hinder development but are not insurmountable. By focusing on acquiring and developing assets that are not gaming related, Gilpin could likely find itself attracting more residents. With more residents, Gilpin could potentially begin tackling larger issues and enjoy the same benefits as Teller.

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19 Bureau of Economic Analysis “Regional Data GDP & Personal Income.”
**Resiliency Analysis**

After the dotcom bubble, Gilpin county managed a fairly resilient recovery. Counterintuitively, growth in income per capita was largely unaffected by the first bubble of this century, witnessing an increase in income per capita for 2001.\(^{20}\) The incidence of proprietorship also rapidly increased during 2001, and remained fairly constant in its gains through the next recession.

After rapid gains in 2004, income per capita begins to show signs of weakness, slowing down in 2005 and slumping until 2012.\(^{21}\) Wage and salary jobs fall as the 2008 recession hits, but manage to recover the losses in about 2 years.\(^{22}\)

Our analysis paints a mixed picture of resiliency in Gilpin county. While the county clearly has a strong entrepreneurial bent, the relatively slow gains to income per capita suggest some structural flaws in the local economy. For comparison, Moffat county has a higher rate of\

\(^{20}\) Bureau of Economic Analysis “Regional Data GDP & Personal Income.”
\(^{21}\) ibid.
\(^{22}\) ibid.
proprietorship, but has remained stagnant in terms of growth in proprietorship. Gilpin on the other hand shows that the local workforce is adaptable enough to make their own way in times of recession, which is quite reassuring in terms of resiliency. The counties are markedly similar in terms of wage and salary jobs, but wage and salary jobs appear to be more vulnerable in Gilpin. This is more than likely due to the fact that gambling is a luxury good, that is, as income rises, consumers tend to desire more, and as income declines, the opposite is true. During recessionary conditions, it is not surprising that a county like Gilpin, which is heavily reliant on gambling, would lose some wage and salary jobs, but rapidly gain them back as the macroeconomy picks up. Another issue however is that the rapid gains allowed for wage and salary jobs to return to pre-recession levels, but then stop.

By our analysis, the lack of job growth and income per capita growth are attributable to two things: the smokestack effect and leakages in the county economy. The smokestack effect arises from a dominant base industry which results in leakage crowding out all other forms of investment. In seeking to improve the economy, investment in the strongest industry ought to help but the issue is that the underlying structure of the microeconomy is creating the leaks in the first place. This means that any attempt to improve the economy with investments in gaming ventures will yield marginal returns to the microeconomy. The incidence of leakage in Gilpin is attributable to both the proportion of workers who commute and the lack of local resident services (LRS). Gilpin is lacking a grocery store, and is reliant upon convenience stores within the county and larger retailers in Idaho Springs, one county south, for food. While the county is also lacking in healthcare services this has been at least partially mitigated by county-wide transit
systems that allow residents to travel to the front range to receive medical services.\textsuperscript{23} Moreover, Gilpin suffers from a net loss in terms of commuters. Essentially, more people work in Gilpin and live in other counties than the other way around.\textsuperscript{24} Commuters to Gilpin generally work in the casinos, so investing more into gaming just means that more of the income will leak out of the county.\textsuperscript{25} To be sure, there is a multiplier effect associated with investment in gaming, however this is suboptimal in terms of improvements in resiliency.

\textbf{Conclusion}

Gilpin’s microeconomy as it stands now has several issues. First and foremost, Gilpin faces a first mover problem. Gilpin is a rugged, mountainous, and sparse area. On top of this, it’s sole reliance on gaming has left little to no diversity in businesses that would attract more individuals. The discrepancies that are seen in its active workforce numbers and the population is a direct consequence of that. But individuals alone are not to blame. Residential, industrial, and retail space is greatly limited due to the county’s topography. Even if large groups wanted to move in, construction time and cost will be much greater because of how rugged the terrain is and the compressed timetables for construction due to long and brutal winters. This high cost of construction and low population creates further complications, such as the very apparent food desert. There exist no grocery store in the county, requiring many residents to literally leave the county just to acquire food. While Gilpin does contain convenience stores that supply a limited number of choices, the county cannot expect to attract more people to settle when the costs of something as necessary as food are so high. The food desert brings the county’s issue in a full circle, no food means little reason for people to settle down. A lower population results in little

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to no incentive of larger retailers and grocers of establishing themselves in the area. This is not an exhaustive list of difficulties the county faces. Much like the food desert, there’s also evidence that a banking desert exists. While this may seem like an endless spiral, the county must at the very least acknowledge the smokestack behavior they’ve exhibited. More gaming establishments, along with an extensive advocacy on the part of the Colorado Gaming Association, may well protect the monopoly that the county has and bring in more revenue but does nothing to solve it’s leakage. Without more residents, more services, and addressing the aforementioned problems, the county will be reliant upon what is most likely a temporary comparative advantage.
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