Colorado Fiscal Institute

August 2023

At Odds with the Outdoor Economy:

COMPARING COLORADO'S OUTDOOR RECREATION AND OIL & GAS INDUSTRIES

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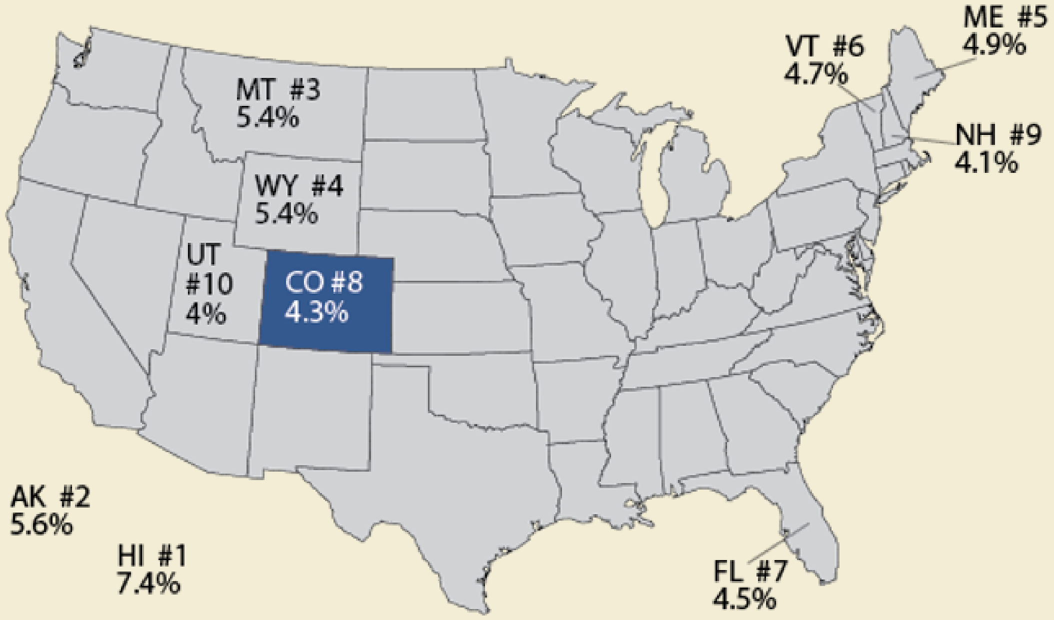
Introduction

Given global, federal, and state greenhouse gas emissions reduction targets, states with communities that produce oil and gas are being forced to consider how they will diversify economically. In our previous report, CFI enumerated the costs and benefits of the oil and gas industry to contribute to that discussion. But if the state is going to shift away from oil and gas production, what fills the gap? Colorado could boost its outdoor recreation industry. Colorado is known for its skiing, mountain climbing, biking, fishing, rafting, and camping – but can this really replace oil and gas in terms of economic output, jobs, and sales tax revenue? How does it compare? And how reliant are we already on the outdoor recreation industry? This report aims to shed light on those questions.

Outdoor Recreation Compared to Oil and Gas in Colorado

Nationwide, there are 4.5 million outdoor recreation jobs, making up 3% of the U.S's total jobs. Colorado's outdoor recreation industry accounted for 125,244 jobs in 2021, or 4.3% of total employment in our state. That puts Colorado 8th among states in outdoor recreation jobs as portion of total employment. Hawaii ranks first, with 7.4% of total employment made up by jobs in the outdoor recreation industry. The map below shows the top 10 states with the highest portion of their total jobs in outdoor recreation.

States with the Highest Portion of Total Jobs in Outdoor Recreation



The outdoor recreation economy contributed 1.9%, or $454 billion, to the gross domestic product (GDP) of the United States in 2021. On a state level, the share of GDP coming from the outdoor recreation industry varied from a high of 4.8% in Hawaii to a low of 1.3% in New York and Connecticut. Colorado is above average, with 2.7% of its GDP coming from outdoor recreation. $11.6 billion in our state's GDP is generated by the outdoor recreation industry. In 2021, there were $6.1 billion paid in wages and salaries to outdoor recreation workers in Colorado.

The outdoor recreation industry employs more than 6 times as many people as the oil and gas industry does in Colorado. In 2021, there were 125,244 jobs in the outdoor sector, compared to the 19,871 jobs in the oil and gas sector.

Employment, Salary, and GDP for Oil & Gas versus Outdoor Recreation Industries

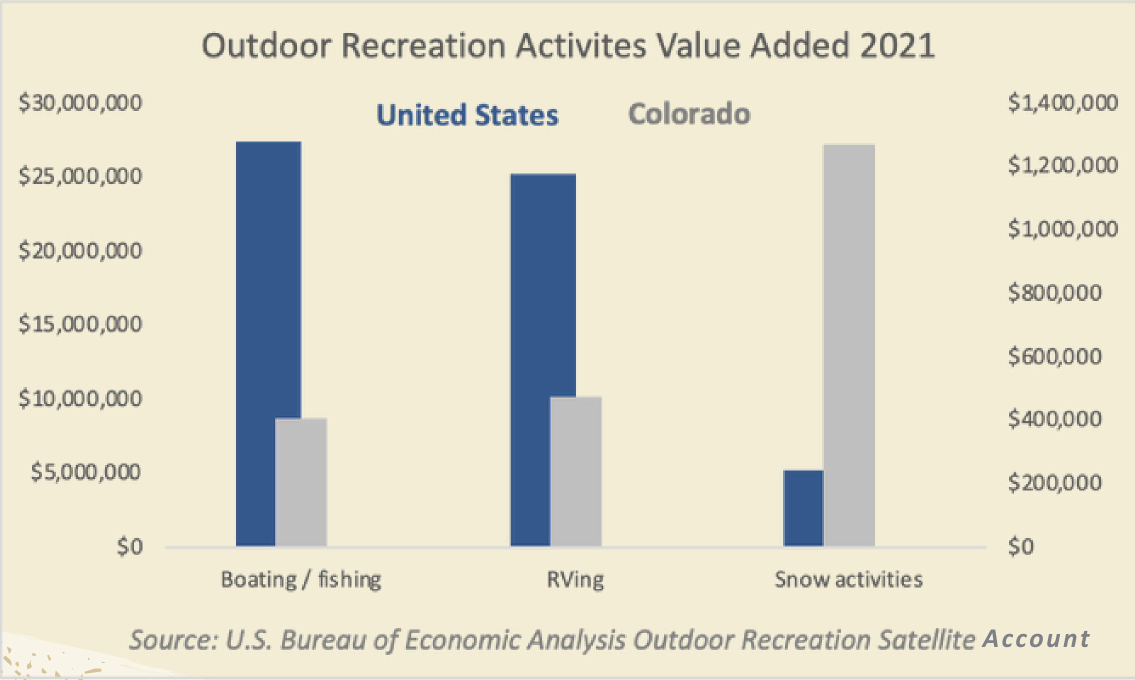
	Jobs 2021	Annual Wages 2021	GDP (thousands) 2021
Oil and Gas	19,871	$ 2,690,114,464	$ 14,118,900
Outdoor Recreation	125,244	$ 6,143,496,000	$ 11,632,200

Source: U.S. Bureau of Economic Analysis, Quarterly Census of Employment and Wages

As a size of Colorado's economy, the oil and gas industry contributed $14.1 billion in 2021 compared to $11.6 billion from outdoor recreation. Colorado is in the top 10 states when it comes to the share of GDP generated by the oil and gas Industry.

Oil and Gas Extraction GDP Portion of Total (2021)	
State	**GDP Portion of Total**
North Dakota	11.7%
Alaska	9.8%
Oklahoma	9.7%
Wyoming	8.2%
Texas	7.1%
New Mexico	6.2%
West Virginia	5.6%
Louisiana	3.3%
Colorado	2.4%
Montana	1.1%
United States	1.0%
Source: U.S. Bureau of Economic Analysis	

The Bureau of Economic Analysis categorizes the outdoor recreation industry into three categories: conventional activities (bicycle, boating, hiking, skiing, hunting), other activities (gardening, golf, outdoor concerts), and supporting activities (travel, tourism, construction). Boating/fishing is the nation's largest conventional activity in outdoor recreation. In Colorado, however, "snow activities" is the largest.



In the entire country, GDP related to snow activities is $5.2 billion – Colorado generates $1.27 billion, or 24.4%, of that activity. Colorado has more than twice the snow economic activity than its ski-destination rival and western neighbor Utah, and is easily the top snow economy contributor in the country.

Snow Activity GDP by State	
State	**Snow Activity GDP (thousands)**
Colorado	$ 1,267,667
Utah	$ 519,352
California	$ 505,666
Washington	$ 261,261
Texas	$ 218,259
Vermont	$ 215,049
New Hampshire	$ 191,583
Pennsylvania	$ 184,620
New York	$ 146,966
Source: U.S. Bureau of Economic Analysis Outdoor Recreation Satellite Account	

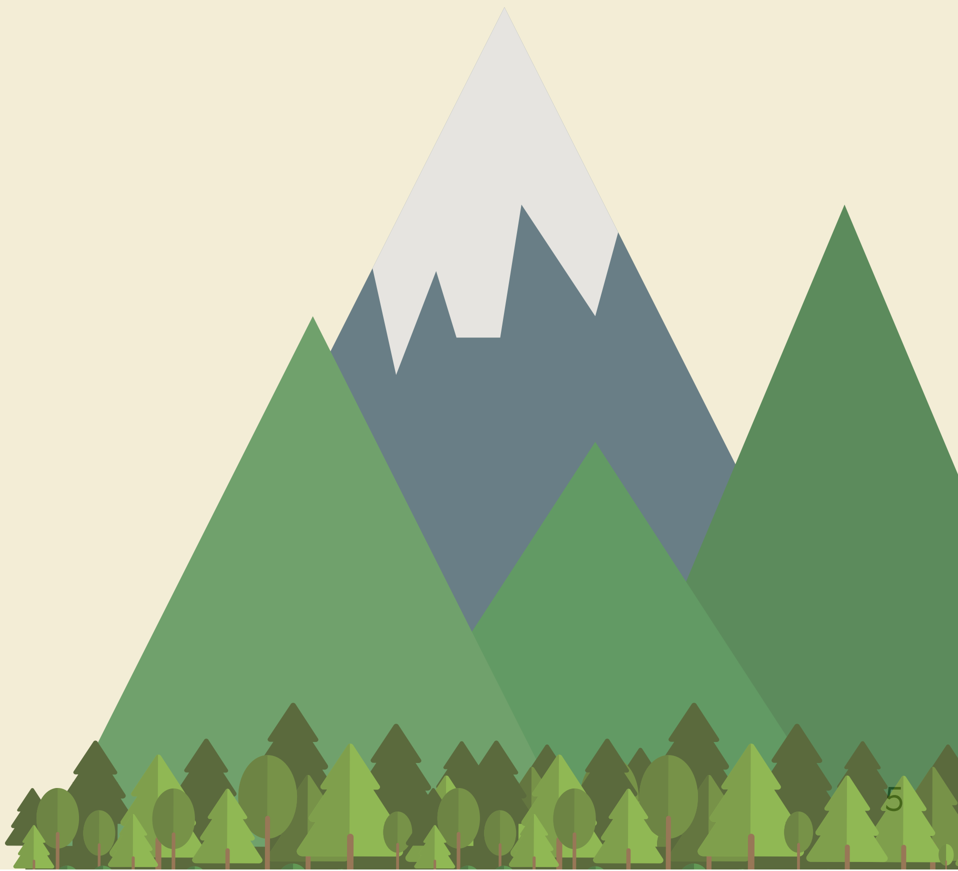
Small towns in Colorado Depend Upon Outdoor Recreation Tourism

To investigate the impact that the outdoor industry has on the economic vitality of towns in Colorado, we would need an experiment group, in which outdoor tourism was present, and a control group, in which it wasn't. Three unique scenarios have provided us with such a case: the COVID-19 pandemic, wildfires, and liability issues that temporarily closed a popular hiking destination.

We focus on three natural experiments: the COVID-19 pandemic and the accompanying locks downs, the 2018 Spring Creek Fire and 416 forest fires, which drove away tourism from the towns of La Veta and Silverton, and the town of Alma, which lost tourists because a popular hiking spot was closed in 2021.

Using these three natural experiments, we look at the sales tax data in towns to see what happens when they suddenly lose their outdoor tourism industry.

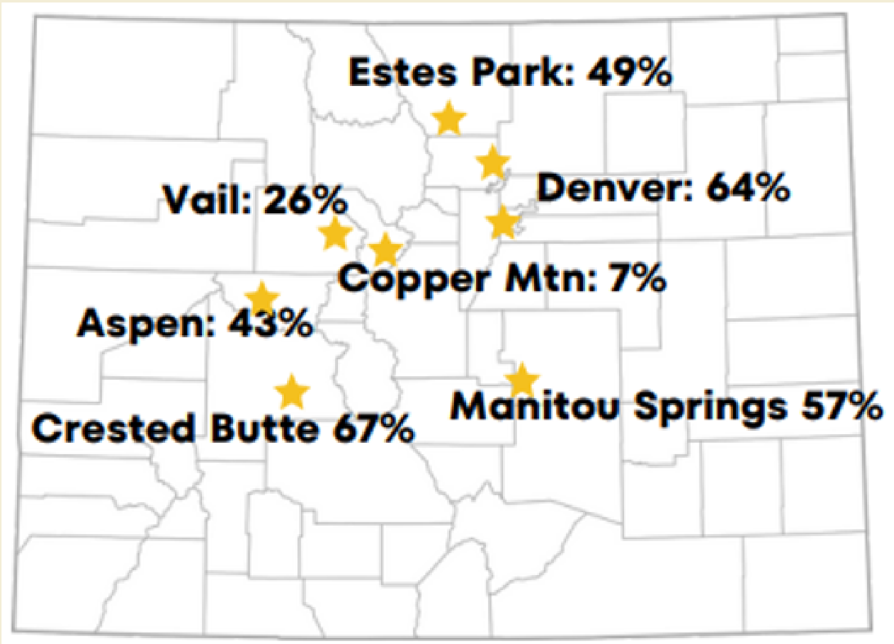
The outdoor recreation industry supplies vital tourism and sales tax revenue in Colorado's small towns. You can see the impact when the pandemic shutdown much of the recreation industry in April 2020 when stay-at-home orders were issued.



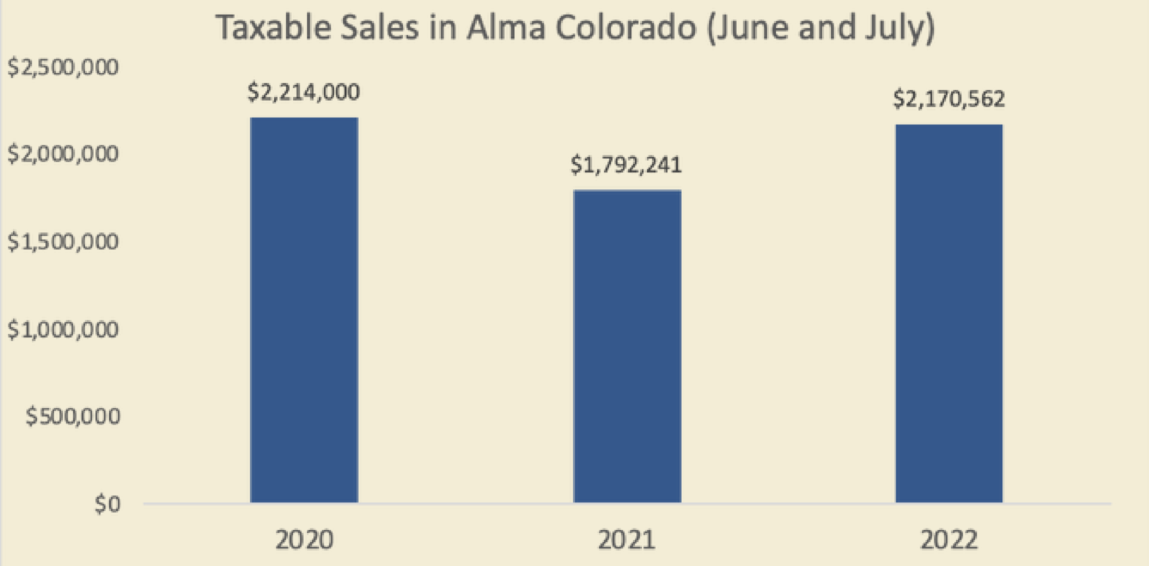
April 2020 Sales Tax as Portion of April 2019 Sales Tax	
Town	**Portion of Total Sales Tax**
Red Cliff	73%
Golden	72%
Mt. Crested Butte	67%
Glenwood Springs	66%
Silverthorne	66%
Idaho Springs	65%
Idalia	65%
Denver	64%
Boulder	64%
Dillon	64%
Poncha Springs	64%
Minturn	63%
Glendale	63%
Fort Lupton	60%
Greenwood Village	58%
Frisco	57%
Manitou Springs	57%
Snowmass Village	52%
Estes Park	49%
Lone Tree	47%
Aspen	43%
Black Hawk	35%
Breckenridge	33%
Keystone	32%
Winter Park	26%
Vail	26%
Copper Mountain	7%
Source: CFI analysis of Colorado Department of Revenue Sales Report Data	

The map below shows April 2020 sales tax as a portion of April 2019. The municipality of Copper Mountain saw the biggest decline in sales tax – collecting 7% of April 2019's sales tax in April 2020. Four other ski towns topped the list of towns in Colorado who saw the biggest year over year drop in economic activity and sales tax dollars: Breckenridge, Keystone, Winter Park, and Vail.

April 2020 Sales Taxes as Portion of April 2019 Sales Taxes

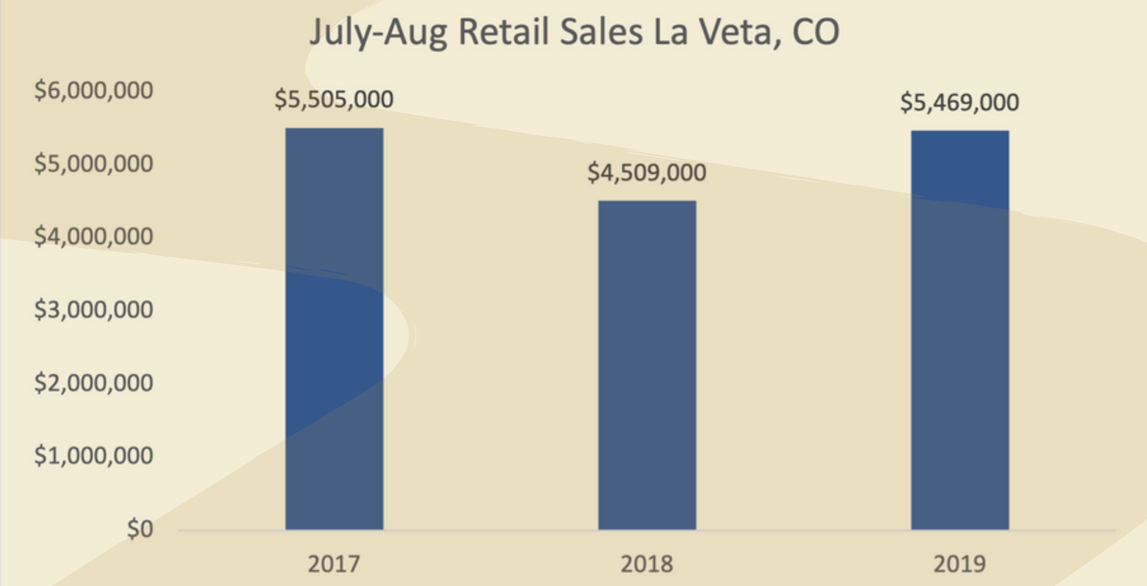


Another natural experiment occurred during the 2021 hiking season, when a group of popular 14ers (peaks above 14,000 feet in elevation) were closed for liability issues. The group of peaks is referred to as the Decalibron, which is a portmanteau of Democrat, Lincoln, Cameron, and Bross. These peaks sit in the central part of Colorado next to the small town of Alma – a town of less than 300 residents. The popular group of hikes draw many tourists into the small town over the late spring, summer, and early fall. Using the hiker count data from the Colorado Fourteeners Initiative, the number of hikers dropped from 25,000 in 2020 to 10,000 hikers in 2021. With the drop in hikers came a 19% drop in sales tax revenue during peak hiking season in 2021. The chart below shows taxable sales in Alma during the months of June and July between 2020 and 2022.



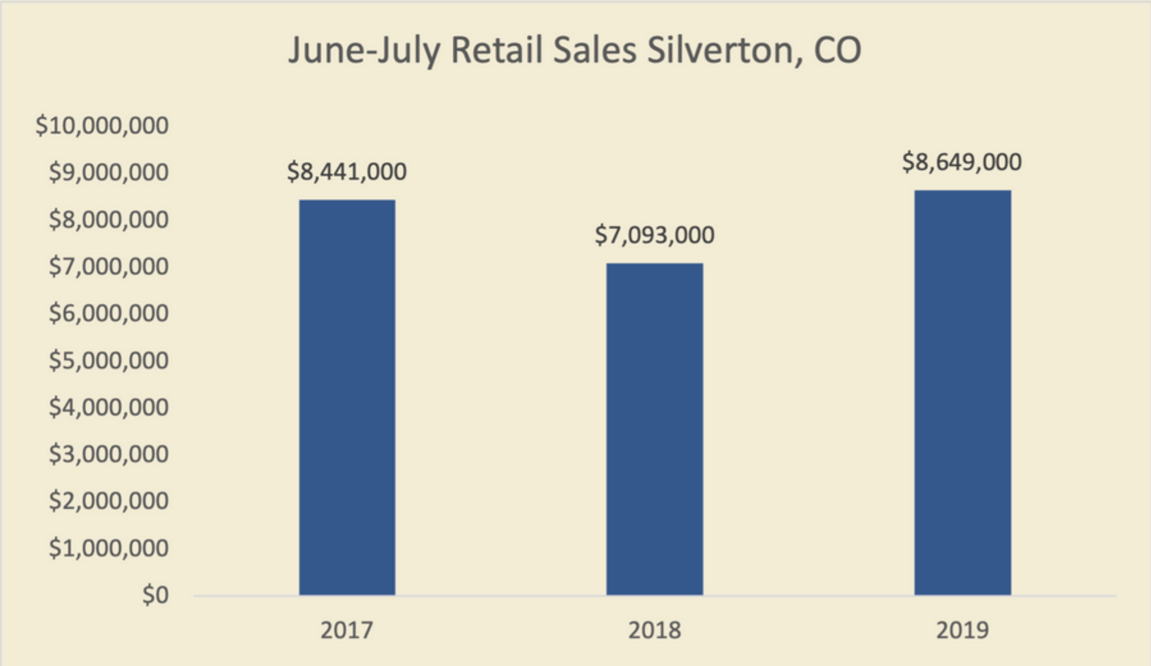
Source: CFI analysis of Colorado Department of Revenue Sales Report Data

The third natural experiment occurred when outdoor tourism was curtailed due to wildfires. In southern Colorado near La Veta Pass, the Spring Creek Fire started in late June 2018 and would eventually burn more than 100,000 acres before it was 100% contained in early September. The chart below shows retails sales in the town of La Veta in July and August in the year preceding the fire, during the fire, and a year after the fire. The town saw an 18% drop in retail sales during the fire compared to the year prior. Retail Sales were $5.5 million 2017, $4.5 million in 2018, and then back up to $5.5 million in 2019.



Source: CFI analysis of Colorado Department of Revenue Sales Report Data

The 416 Fire started June 1, 2018, in southern Colorado, about 10 miles north of Durango. It was declared "fully contained" on July 31, 2018. The wildfire had a major impact on the town of Silverton, whose economy is built on outdoor recreation and the tourism driven into town by railroad that transports riders from Durango into Silverton. The Durango & Silverton Narrow Gauge Railroad alone canceled 31,000 reservations for that June. The town of Silverton saw a 16% drop in retail sales during the fire.



Source: CFI analysis of Colorado Department of Revenue Sales Report Data

Conclusion

Colorado's oil and gas and outdoor recreation industries are similar in many ways. In both sectors Colorado is in the top ten: ranking 8th in the employment share from outdoor recreation and 9th in the percentage of the economy dependent upon oil and gas. Towns across Colorado are particularly reliant on each industry. In this report, we detailed the reliance of towns like Alma and Silverton on outdoor tourism revenue. Our previous research looked at the cities whose job and employment bases heavily depend on oil and gas.

The difference between these two industries is that the outdoor recreation industry doesn't require the cleanup and plugging of abandoned wells, nor does it create negative externalities like air pollution and lower property values, like what occurs to property near oil and gas drilling sites. In addition, the outdoor recreation industry doesn't contribute to climate change and the increasing severity of forest fires as the fossil fuel industry does. A 2023 study found that 37% of the area burned by forest fires in the western U.S. and southwest Canada since 1986 can be attributed to heat-trapping emissions from the world's largest fossil fuel producers. Colorado has seen a considerable increase in the size and damage of wildfires in recent years. Colorado's top 20 largest forest fires have occurred since 2000. With Colorado comprising 25% of the country's snow activity economy, issues of climate change and reduced snowpack have a uniquely devastating impact on Colorado's economy.

Recent climate goals set by Congress and our own General Assembly addressing the harmful impacts that the oil and gas industry have on our health, economy and climate, means Colorado will begin to transition away from the industry. The outdoor recreation economy is significant in Colorado, and provides an alternative, though not full replacement, for the extractive industry. Bolstering the outdoor recreation industry through economic development, tax, and employment incentives can help ease the pain of shifting away from oil and gas, and towards a more environmentally sustainable economy.