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Ron Chernak, President, The FBB Group, LTD.®
Founding Partner of the Southern Colorado Economic Forum



Welcome from Holland & Hart

Holland & Hart is proud to sponsor the 18th Annual Southern Colorado Economic Forum. Our firm has been a part of the business community in Colorado Springs for over 60 years and we look forward to discussing the key issues shaping the area.

We are hopeful that our contributions have helped shape an outstanding program for the local business community, complete with economic forecasts to help you plan for the years ahead, as well as invaluable information from expert panelists and thought leaders on specific business and legal issues affecting your company.

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<http://www.hollandhart.com>.

Wendy Pifher, Partner, Holland & Hart LLP



Welcome from the Chancellor

The University of Colorado Colorado Springs is pleased to join with its business partners to present the 18th Annual Southern Colorado Economic Forum. This program provides a look at the economy and quality of life in the region during the past year and gives a peek at our community's future. The information offered at the Forum is intended to provide insight to policy makers and to aid in making informed decisions about our region's future. The Forum gives a realistic and unbiased economic forecast for the coming year.

We are fortunate to have many committed individuals involved in this project. I especially wish to thank Tatiana Bailey and Tom Zwirlein of the College of Business and Administration for their data analysis and its presentation in this report. I also wish to thank our panel of experts for their contributions.

I want to thank the Forum sponsors for their continued support of this important link between university research and our community. Since its inception, UCCS has worked closely to align itself with the priorities of Southern Colorado. The Southern Colorado Economic Forum is an example of our commitment to ensuring the future of our region.

Thank you for attending the 2014-2015 Southern Colorado Economic Forum. We wish you a productive and successful 2015.

Pamela Shockley-Zalabak, Chancellor, University of Colorado Colorado Springs



Welcome from the Dean of the College of Business and Administration

Thank you for your support of the 18th Annual Southern Colorado Economic Forum. This year I would like you to join me expressing our special thanks to Dr. Tom Zwirlein and Dr. Fred Crowley whose leadership allowed the forum to flourish. For this year's forum, allow me to introduce our new forum director, Tatiana Bailey. Dr. Bailey is a consultant in the health care and economic development fields and has experience teaching economics and health policy.

This year's panel is focused on entrepreneurship and innovation and the opportunities it provides for a diversified and vibrant economy. The panel includes highly successful, local entrepreneurs and also economic development experts who focus on innovation. We hope the panel helps you appreciate the importance of these topics for our region.

A number of exciting events continue to take place on our campus and our college. The campus continues to grow both in terms of students and buildings. The college has added a number of new faculty and staff to better serve our students and broader community. Our online graduate and undergraduate degree completion programs provide flexibility and convenience for both our on-campus and on-line students. Our students placed first in the Daniels Fund Ethics Case Competition that included the eight ethics consortium universities. Our Career and Placement Center is helping place interns and graduates in our local for profit and non-profit entities. Our recently launched Office of Professional and Executive Programs office is expanding beyond offering professional development classes to offering customized business solutions to individual organizations.

The Southern Colorado Economic Forum would not be possible without the active sponsorship and participation, year after year, of our business partners. We thank them. Not only do they support the Forum financially, they also provide their expertise and use their business connections to help bring you an outstanding program. Please take some time to get to know our new director, Tatiana, and thank Tom and Fred for many years of service.

Venkat Reddy, Dean, College of Business and Administration



The Southern Colorado Economic Forum

The Southern Colorado Economic Forum is a university and community supported research effort of the College of Business and Administration at the University of Colorado Colorado Springs. The Forum mission is to provide timely, accurate and unbiased information about the economy in Southern Colorado. The Forum analyzes economic and quality of life trends along with other information to provide a forecast of future economic activity.

Each fall, the Forum provides an update of the area's economy and quality of life. The Southern Colorado Economic Forum also publishes the *Quarterly Updates and Estimates (QUE)* to keep the business community

informed about current changes in economic activity.

Visit <http://www.SouthernColoradoEconomicForum.com> to find back issues of the QUE and the Southern Colorado Economic Forum annual publication. The Forum is available to help businesses and other organizations with economic and financial analysis and modeling, survey work, and other custom analysis.

To learn more about the services SCEF and the College of Business can provide for your organization contact: Tatiana Bailey, Director, Southern Colorado Economic Forum, (719) 255-3661 or tbailey6@uccs.edu.



Tatiana Bailey, PhD

Tatiana Bailey has her Master's in economics and her doctorate in public health, both from the University of Michigan. She and her family relocated from Ann Arbor to Colorado Springs during the summer. Since obtaining her doctorate, she has taught micro and macroeconomics as well as health economics and policy at the University of Michigan and Walsh College. She is now teaching a health policy class to MBA student at UCCS.

Dr. Bailey is also a consultant in the health care and economic development fields. With respect to health care, she has focused on program evaluation and cost effectiveness analyses. In the economic development field, she has focused on economic growth initiatives primarily through the venues of entrepreneurship and innovation.

Currently, Dr. Bailey is putting both her health care and economics backgrounds to use. With respect to health care, she is doing presentations to audiences who wish to be better informed about the general framework of the health care system in the

U.S. and the particulars of the Affordable Care Act. She is also the Principal Investigator for a comprehensive study on the cost implications of the Medicaid Expansion in the state of Michigan and another study investigating the implementation of public/private long-term care partnerships. With respect to economics and finance, Dr. Bailey is one of the lead evaluators for a \$100 million, philanthropic initiative aimed at improving economic development in the City of Detroit primarily through entrepreneurial training and support. In both realms, Dr. Bailey has been able to work with Latino populations as she is a bilingual Hispanic.

Dr. Bailey feels excited to be a part of the greater Southern Colorado community. With the opportunity to now work as Director of the Forum, she looks forward to many fruitful collaborations.



Thomas J. Zwirlein, PhD

A Professor of Finance, Thomas J. Zwirlein joined the UCCS College of Business faculty in 1984, following his graduation from the University of Oregon where he earned his PhD. He earned a bachelor's in economics and a master's in business administration from the University of Wisconsin, LaCrosse.

In addition to teaching undergraduate and graduate-level courses in finance and investment policy, Dr. Zwirlein's research interests include corporate control, investment policy, financial strategy and shareholder value. He is widely published in areas such as investment strategy, stock selection and corporate takeovers.

He earned the College of Business Outstanding Service Award in 1996 and 2000 and is a member of the Financial Management Association. He founded the Southern Colorado Economic Forum in 1996.

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Introduction

The 2013 – 14 Southern Colorado Economic Forum

This marks the eighteenth year for the Southern Colorado Economic Forum. We provide businesses and other organizations in Southern Colorado with unbiased information to assess economic conditions in the region. Forum data concentrates on labor market information, retail and wholesale trade, construction and commercial real estate activity, military employment and expenditures, tourism, sales and use taxes, utility activity and other economic information. The indicators provide a picture of the economy, the region's quality of life and help answer the questions of "how are we doing" and "where are we going." No single indicator can provide a complete picture of the economy, quality of life, or educational status of our citizenry. Examined collectively, however, economic and quality of life indicators provide a picture of the region's economic health, the welfare and educational attainment of the people who live and work here, and the progress of businesses and organizations that operate here. The Forum uses this information to assess and report on current economic conditions to help business leaders, government officials and others make better and more informed decisions within their respective organizations.

The Southern Colorado Economy Executive Summary

Employment

Of all of the economic indicators, employment levels are usually the most closely examined at the national and local levels. Perhaps the most pivotal indicator of the stability of an economy and the quality of life of its citizens is whether there are good jobs with livable salaries. The good news is that after a particularly severe recession, the persistently high unemployment levels are finally abating, both nationally and locally:

- The national, seasonally adjusted unemployment rate was 6.2 percent at the end of July 2014. This is a significant improvement over the year ago rate of 7.3 percent and the 10 percent rate at the height of the recession in October 2009.
- The El Paso County unemployment rate at the end of 2013 stood at 8.0 percent. The rate has edged down since then to a seasonally adjusted rate of 6.5 percent at the end of July.
- The Quarterly Census of Employment and Wages (QCEW) for El Paso County indicates total jobs increased by 2.4 percent, or 5,616 positions, in 2013.
- This is the third year of job growth after three years of job losses that occurred over the years 2008 through 2010.

- However, even with three years of gains, employment in 2013 stood at 243,299 or 3,824 jobs below the peak number achieved in the county in 2007.

Specific Sectors & Employment

Sixteen of the twenty-one industry sectors in El Paso County saw job gains in 2013. The most significant gains were in professional and technical services (1,649), accommodations and food services (1,173), retail trade (813), health care and social assistance (806), construction (796), finance and insurance (592), educational services (468) and administrative and waste services (415). The strong showing in professional and technical services combined with accommodation and food services represented 50.2 percent of total job gains in the county. Job losses took place in five sectors. The most notable losses occurred in manufacturing (-1,377) and information (-345), which tend to be higher paying jobs.

In Pueblo County, total jobs increased by just 0.2 percent or 99 jobs in 2013. The 56,610 jobs in 2013 are 640 jobs below the 2008 peak of 57,250 jobs. The top five QCEW industries in 2013 for Pueblo County were health care and social assistance (12,382 jobs), retail trade (7,201), accommodation and food services (5,666), educational services (5,432) and administrative and waste services (4,848). Eight of the twenty-one sectors saw job gains in 2013. The most significant gains were in health care and social assistance (272), accommodation and food services (139), and manufacturing (128). There were significant job losses in administrative and waste services (-144), public administration (-128), construction (-115), and educational services (-90).

In Teller County, total jobs decreased by 2.8 percent or 193 jobs in 2013. At 6,594 jobs, this is the lowest number of jobs since 2004, and 356 lower than the peak reached in 2008 of 6,950 jobs. The top five job categories available through QCEW data for 2013 were accommodation and food services (1,464 jobs), retail trade (846), arts, entertainment and recreation (709), educational services (687), and public administration (524). Nine of the twenty-one sectors saw job gains in 2013. The greatest gains were reported in manufacturing (13 jobs), retail trade (9) and transportation and warehousing (9). The most significant job losses were in arts, entertainment and recreation (-66), wholesale trade (-48), accommodation and food services (-42) and professional and technical services (-41).

Overall, the job market is improving albeit slowly. Although the recent local improvements in employment levels are definitely positive, our region still trails behind the nation, which as mentioned above had a 6.2 percent seasonally adjusted unemployment rate at the end of July 2014. Of particular note is the lower state-

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wide unemployment rate of 5.3 percent. The simple fact that Southern Colorado's unemployment rate continues to be above the national average while the State of Colorado is well below the national average begs the question of what we, as a community, can do to improve the employment situation. There is a more specific discussion on this topic in the following section, "Catching the Colorado Wave: Entrepreneurship and Innovation in Southern Colorado."

For the primary or cluster industries the Forum tracks, (see graph on page 27) there was an employment increase from a total of 37,782 jobs in 2012 to 40,435 jobs in 2013. The information technology cluster saw the largest increase with 1,871 employees. The largest decline occurred in the complex electronic equipment cluster, which lost 328 employees.

The Colorado Springs Regional Business Alliance targets a number of key industries as part of the 6035 analysis conducted several years ago. Based on the identified NAICS codes in the final 6035 report, the Forum tracked employment and wages in El Paso County in these targeted industries in 2012 and 2013 using the QCEW data from the Colorado Department of Labor and Employment. The information is summarized in Table 1. Total employment in these five clusters is estimated at 37,767 in 2013. The estimates in the table may be high since it is often difficult to track specific jobs within a NAICS code. For example, the companies represented by NAICS 541712 [Research and Development in Physical Engineering, and Life Sciences] places them in the Emerging Industries/Entrepreneurs cluster. The Forum counts employment and wages for all firms in this NAICS code and does not attempt to differentiate firms that are "emerging and entrepreneurial" from those firms that are not. This method undoubtedly leads to some overestimation in the cluster categories. As long as we continue to measure this way in coming years our data may have an upward bias but the data will be consistent, meaning it can be compared from year to year.

Several other observations and limitations should be made regarding cluster information. The Sport and Sports Related Industries include retailers such as Dick's Sporting Goods, fitness centers including the YMCA

and other similar businesses. Many of these businesses and organizations would naturally locate in Colorado

Springs without any targeted effort by economic development officials.

The renewable energy and energy efficiency cluster tends to have many small consulting and engineering companies with 1 to 10 employees interspersed with mid-size companies employing 30 to 200 employees. As expected, small firms with less than 21 employees dominate the emerging industries and often represent the entrepreneurs.

The good news is estimated employment increased 8.9 percent in the 6035 clusters in total. The sports and related industry cluster increased by 20.7 percent, driving most of the upward trend. Employment in renewable energy and energy efficiency also showed strong growth and increased 15.8 percent. In aggregate, average wages increased by 1.9 percent to \$76,650, also led by growth in the sports and sports-related industries. The overall picture from this data is encouraging since it shows growth in some prominent sectors the Regional Business Alliance is targeting for growth and development.

It has become increasingly difficult to obtain economic impact and employment information from the Academy and the three bases. As of the time of this publication, updated information for 2013 on economic impact was available for the three bases. For Fort Carson, Peterson and Shriever there was an average reduction of 10.3% in economic impact. Employment information was only available for two bases, Peterson and Shriever. For these two bases, there was a 4.7% reduction in employment levels.

The health and wellness sector continues to develop in the region. The emergence of small health-related startups and relocation of health-related companies to the area is encouraging. The Bureau of Labor Statistics projects health care jobs will be the most demanded jobs over the next 20 years. Given the growth, along with the emphasis this region has had on health care for many years, it is important to closely examine health-

Table 1: Operation 6035 Target Industries

	2013 Employment	Percent Change from 2012	2013 Average Wage	Percent Change from 2012
<i>Aerospace, Defense & Homeland Security</i>	7,143	-2.7%	\$72,684	-2.5%
<i>Software and Information Technology</i>	12,660	7.6%	\$95,569	4.6%
<i>Renewable Energy and Energy Efficiency</i>	8,609	15.8%	\$83,820	0.2%
<i>Sports and Sports Related Industries</i>	6,947	20.7%	\$27,877	23.8%
<i>Emerging Industries/ Entrepreneurs</i>	2,408	0.8%	\$104,031	5.2%
Total	37,767	8.9%	\$76,650	1.9%

related jobs in this area. Table 2 provides employment and wage information for the healthcare sector in El

Introduction

Paso County for 2013. Employment in the health care sector continues to grow in El Paso County. Although not shown in the table below, health care has grown from 9.3 percent of total QCEW employment in 2001 to 13.8 percent of employment in 2013. Hospitals and physicians offices are some of the larger employers in the sector. These sub sectors have average wages that are much higher than the average wage in the county. Total health care wages paid in El Paso County in 2013 amounted to \$1.54 billion or 14.3 percent of total wages in all sectors in El Paso County. As this health and wellness sector evolves, the Forum anticipates employment will continue to grow at a faster rate than general employment in the county.

Regional Wages

Aside from the specific clusters in the regional economy, it is important to examine general wages across the region.

- Average QCEW wages across all categories decreased slightly in El Paso County from \$44,564 in 2012 to \$44,512 in 2013, or down 0.1 percent.
- Although employment levels have improved, this stagnancy in average wages presents a challenge for Southern Colorado.
- The average wage in El Paso County remains low

compared to Colorado as a whole and is 12.5 percent below the state average of \$50,856 in 2013.

- Average wages in Pueblo County increased slightly in 2013 to \$37,440, but the average wage is 26.4 percent below the state average.
- Average wages in Teller County also increased in 2013 to \$34,112, but the average wage is 32.9 percent below the state average.

At a more granular level, average wage growth in El Paso County was strong in management of companies and enterprises (up \$5,928 to \$97,292), mining (up \$4,524 to \$85,436), professional and technical services (up \$4,108 to \$82,316), finance and insurance (up \$3,120 to \$56,680), real estate and rental and leasing (up \$1,560 to \$36,712), and health care and social services (up \$1,144 to \$46,124). Average wages declined most significantly in the utilities sector (down \$27,768 to \$75,816) which appears to be an aberration in the data from last year, manufacturing (down \$4,316 to \$57,564), administrative and waste services (down \$2,028 to \$34,580), public administration (down \$1,300 to \$62,400) and agriculture, forestry, fishing and hunting (down \$832 to \$23,504).

Average QCEW wages increased in Pueblo County from \$37,232 in 2012 to \$37,440 in 2013, or up 0.6 percent. Wage growth was strongest in professional and techni-

Table 2: Employment and Average Wages in the Health Care Sector (NAICS 62) in El Paso County in 2013

NAICS		Employment	Percent Change from 2012	Average Wages	Percent Change from 2012
6211	Physicians offices	5,196	2.9%	\$72,492	1.0%
6212	Dental offices	2,294	1.5%	\$44,347	-0.2%
6213	Offices of other health practitioners	2,474	6.2%	\$33,969	0.5%
6214	Outpatient care centers	1,169	7.5%	\$55,022	2.0%
6215	Medical & diagnostic labs	581	0.3%	\$59,921	-1.8%
6216	Home health care services	1,963	1.8%	\$29,787	5.0%
6219	Other ambulatory health care	432	19.1%	\$43,805	-6.6%
622	Hospitals*	9,197	3.7%	\$55,396	5.4%
6231	Skilled nursing care facilities	2,081	-7.8%	\$33,242	1.3%
6232	Developmental disability, mental health & substance abuse facilities	234	-6.2%	\$29,935	4.2%
6233	Assisted living & continuing care	1,496	-0.8%	\$25,185	3.5%
6239	Other residential care facilities	345	-10.9%	\$29,594	3.1%
624	Community food & housing, emergency & other relief services	3,851	3.5%	\$34,740	3.9%
6244	Child day care services	1,889	-11.1%	\$21,183	0.9%
62	Health care totals	33,201	1.5%	\$46,572	3.5%

Source: Colorado Department of Labor, Quarterly Census of Employment and Wages

*Data from one hospital was mislabeled and had to be estimated for three quarters.

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cal services (up \$10,556 to \$65,936) and management of companies and enterprises (up \$5,772 to \$67,808). Average wages fell in eight industries with the most significant drops in construction (down \$2,912 to \$51,272), administrative and waste services (down \$2,496 to \$24,752) and mining (down \$1,456 to \$52,104).

Average QCEW wages increased in Teller County from \$33,644 in 2012 to \$34,112 in 2013, or up 1.4 percent. Wage growth was strongest in information (up \$8,684 to \$41,548) and construction (up \$2,912 to \$34,268). Average wages fell in ten industries with the most significant drops in wholesale trade (down \$6,760 to \$63,544), management of companies and enterprises (down \$3,380 to \$69,160) and transportation and warehousing (down \$2,340 to \$27,196).

Per Capita Personal Income

Although average wages have remained stagnant in El Paso County in the past year, per capita personal income increased, reflecting that individuals who live here did have some appreciation in their total net wealth. This includes not only net earnings, but also personal dividend and interest income, rental income and transfer payments by government sources. Given the high proportion of retirees in the region, it stands to reason that some of the appreciation in per capita personal income is associated not only to working residents, but also to retirees. In summary:

- El Paso County per capita personal income increased 2.2 percent to \$40,893 in 2012 over the 2011 level of \$40,019.
- Data for 2013 for El Paso County is not yet available, but the Forum forecasts per capita personal income will end up 1.8 percent higher than the previous year (\$41,629).
- At the estimated 2013 level, per capita personal income in El Paso County would be 6.5 percent below the U.S. average and 10.7 percent below the Colorado average.

The Forum forecasts per capita personal income in 2014 in El Paso County will increase at a slightly higher rate of 2.0 percent, while the Colorado Office of Planning and Budgeting forecasts even higher rates of growth in the U.S. (3.7%) and in Colorado (4.1%).

Residential Real Estate

Residential real estate activity and values are indicators of how well the economy is performing primarily through the obvious mechanism of consumer demand. If the national and local economy is performing well and consumer confidence regarding economic perfor-

mance is high, individuals are more likely to purchase or lease existing properties or build new properties.

- During the last twelve months from July 2013 through June 2014, there were 2,656 single family permits issued in El Paso County. This is a decrease of 180 permits (6.3%) compared to the 2,836 permits issued from July 2012 through June 2013.
- The Forum expects approximately 2,900 permits to be issued in El Paso County in 2014. The multi-family market remains very active. Through July this year, permits for 50 projects and 754 units have been pulled. Multi-family permits are expected to end the year at 800 units with a forecast for another 600 units in 2015.
- Average, monthly rents for apartments is currently \$861 per month in the Colorado Springs MSA.

Home sales have been strong this year. Buyers are taking advantage of historically low mortgage rates and attractive prices although the low mortgage interest rates are expected to rise most likely in the second half of 2015.

- The average sales price of a home is expected to increase to \$245,715 in the Pikes Peak region in 2014, a 3.1 percent increase from \$238,273 in 2013. The average home price in the U.S. in 2013 was \$319,275.
- The median price of a single family home is expected to increase to \$216,393 in 2014 compared to \$211,250 in 2013.
- Sales are expected to reach 10,849 homes in 2014 and 11,066 homes in 2015.

The improving economy has helped reduce the rate of foreclosures. Foreclosures decreased 44.7 percent in 2013 to 1,861. This is the fourth consecutive year foreclosures declined in El Paso County. Through August, there have been 1,267 foreclosures. This is an 8.8 percent decline over the same period in 2013. The Forum projects there will be 1,700 foreclosures in 2014 and 1,600 foreclosures in 2015. Most of the foreclosure problem that existed due to the housing bubble is behind us.

Commercial Real Estate

Turner Commercial Research reports mixed signals in the commercial real estate market.

- Commercial office vacancy rates declined to 12.8 percent at the end of 2013 compared to 14.5 percent at the end of 2012. By June of 2014, the vacancy rate edged up again to 13.5 percent.
- Similarly, triple net lease rates dropped from \$10.27 per square foot at the end of 2012 to \$10.12 per square foot at the end of 2013 before rising to \$10.26 per square foot in June of 2014.

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- Average asking rents for office space vary from \$8.58 in the eastern section of the city to \$12.02 in the downtown area. Vacancy rates are highest in the northwest part of the city at 20.4 percent and lowest in the west at 4.3 percent. The high vacancy rate in the northwest may be because of the difficulty in renting class A office space. The departure of Corporate Office Properties Trust may also contribute to the higher vacancy rate in this part of the city.
- Evidence suggests landlords are very willing to negotiate lower lease rates. These reductions are expected to diminish as vacancy rates decline.

The industrial vacancy rate decreased slightly to 9.3 percent at the end of 2013 from 9.4 percent at the end of 2012. As of June 2014, the vacancy rate is up somewhat to 9.9 percent. Average rents increased from \$6.12 per square foot in 2012 to \$6.48 per square foot by the end of 2013 according to Turner Commercial Research. This rate stayed fairly flat at \$6.47 per square foot as of June 2014. The lowest average asking rate is in the downtown area at \$4.33 per square foot and the highest rate at \$7.55 in the northeast. Vacancy rates are highest at 23.4 percent in the downtown area and lowest at 1.5 percent in the western section of the city.

Shopping center vacancy rates have decreased from 12.2 percent at the end of 2012 to 11.7 percent at the end of 2013 and 10.6 percent by June of 2014. Average rents increased about \$0.45 per square foot from \$12.34 at the end of 2012 to \$12.80 at the end of 2013 according to Turner Commercial Research. They have dropped back to \$12.53 per square foot as of June 2014. Average asking rents are highest in the southwest section of the city at \$15.27 and lowest in the central section at \$5.88. Average vacancy rates are highest in the downtown area at 24.2 percent and lowest in the central section of the city at 1.0 percent. Anchored shopping centers have average vacancy rates of 6.5 percent, a rate much lower than the non-anchored shopping centers' average rate of 17.2 percent.

Turner Commercial Research reports began including medical space in 2005, and given the growing importance of this sector, historical data has been added later in this report. Medical office vacancy rates have improved, decreasing from 14.8 percent at the end of 2012 to 11.5 percent at the end of 2013. By June 2014, they were slightly higher at 11.9 percent. Rents per square foot have stayed fairly steady with only a slight dip from \$11.70 at the end of 2012 down to \$11.54 at the end of 2013 and then \$11.59 by June 2014.

Wholesale and Retail Trade

With the increase in GDP and employment and the improvement in consumer confidence, it is not surpris-

ing that there has been a rise in the sales of building materials, non-store retailers, food and beverages, motor vehicles and parts, clothing, accessories, health and personal care, books and music. The only category that saw a decline from 2012 was electronic appliances, furniture and home furnishings. Employment in the retail trade sector increased 813 jobs from 29,296 in 2012 to 30,109 in 2013, up 2.8 percent. Wages increased \$312 to \$27,508 (1.1%).

Wholesale sales in El Paso County show continued fluctuation. After increasing 12.6 percent to \$4.0 billion in 2012, they decreased 7.7 percent to \$3.7 billion in 2013. Wholesale sales in Colorado have shown small but steady increases in the last two years. Wholesale sales levels in 2013 increased 3.2 percent to \$62.7 billion from \$60.7 billion in 2012. Wholesale trade employment in El Paso County increased only 178 jobs from 4,746 in 2012 to 4,924 in 2013. Average wages for employees in wholesale trade grew 1.5 percent, or \$884, from an average of \$58,968 in 2012 to \$59,852 in 2013.

Sales and Use Tax

The City of Colorado Springs benefits from strong and growing taxable retail sales since over fifty percent of the city's budget dollars come from these collections. City sales and use tax collections increased a healthy 5.7 percent or \$7.4 million from \$128.7 million in 2012 to \$136.1 million in 2013. Sales and use tax collections are expected to increase just 3.0 percent this year and another 2.9 percent in 2015 in nominal terms. However, if these nominal sales tax figures are adjusted for both consumer price inflation and population increases, the real value of sales and use tax collections will actually decrease (-1.2%) in 2014 and again (-1.1%) in 2015. This means the city will have difficulty providing the same level of service in the next few years as the population continues to increase. Currently, the city is putting together its budget for the next fiscal year and is looking at a potential shortfall of approximately \$6 million next year.

The Business Conditions Index

The Business Conditions Index, or BCI, is simply an index used by regions across the country that combines various economic indicators to provide a "pulse" as to how the economy is doing as a whole. Different regions focus upon different metrics, but the Forum has traditionally used a geometric average of enplanements, single family and townhome permits, consumer sentiment, the Kansas City Manufacturing Index, sales and use tax, foreclosures, employment levels and income.

As of May 2014, the BCI stood at 113.50, which is a small improvement over the BCI in January 2014 of 111.9. The BCI a year ago, in May of 2013, was 116.79,

which is higher than it was in May of this year. Although the BCI levels are significantly higher than they were during the recession, the BCI is negatively skewed in El Paso County primarily because of enplanements, while employment, income and foreclosures have stayed relatively steady. The increases that have occurred in the BCI are mostly driven by improvements in real estate, consumer sentiment, and car sales. Ideally, economic development efforts will help improve the BCI components, but perhaps the most needed change is in employment levels. If employment levels and income increase, that would directly increase the BCI, but it would also have the positive externality of the economic multiplier. More employed individuals with higher income means more goods and services are demanded across the region.

Where is the Economy Heading?

As of September 2014, the Forum is cautiously optimistic about the prospects for the global and national economies. Nationally, the country is five years removed from the worst recession ever recorded. This is a recession that spread globally to Europe and Asia. Many Asian economies are ahead in the recovery compared to Europe. Europe had more challenges, particularly in Greece, Spain, Portugal, Italy and Ireland. Some economic evidence shows these countries are on the path to recovery, but much still remains to be done. Now Europe faces another evolving crisis with Russian President Putin's territorial aggression against Ukraine. Putin's actions could have a dramatic impact on trade relations between Russia and the European continent. These events, in turn, could affect the U.S. since Europe is a strong trading partner. Many are closely watching events as they unfold in Ukraine to see how they will impact the global economy in 2015. Moreover, the continued unrest in the Middle East and the attacks by the terrorist organization, Islamic State in Iraq (ISIS) add a volatile uncertainty to the global economy. As this is being written, no one knows for sure how deeply the U.S. and NATO will become entrenched and what impact this might have on the economy, especially oil output and prices.

Forecasts for the U.S. economy from the Colorado Office of Budgeting and Planning are provided in the Forecast Summary table (page 20). The forecasts call for continued improvement in the unemployment rate and more moderate growth in GDP. Employment should continue to grow as industrial production improves. The higher levels of employment will help grow wages, salaries and personal income. Improvements in wages, salaries and income will translate into improved retail trade and sales, and the housing market will continue to rebound. Most economists expect interest rates will begin to rise, perhaps starting in the second half of next

year. Rising rates will be welcomed by the savers but hurt the borrowers. How much it affects the mortgage market will depend on how much the 30-year mortgage rate increases. Home buyers may have to adapt to interest rates that are closer to historical, pre-recessionary levels.

The Colorado economy is strong and rebounded much faster than the U.S. economy. This is expected to continue because of continued oil and gas development as well as remarkable small business growth across many sectors. Forecasts for Colorado are also provided in the Forecast Summary table. Most indicators trend upward in the remainder of 2014 and in 2015. In general, most of the indicators are stronger for Colorado compared to the U.S.

The forecast for Southern Colorado is not as strong as the State of Colorado for a host of reasons. One potential, ongoing vulnerability is the uncertainty of the military presence in the region. The Department of Defense budget request in FY14 was \$526.6 billion. This year, for FY15, the request declined to \$495.6 billion. However, the budget included an additional request for \$26 billion for the "Opportunity, Growth, and Security Initiative," which is a federal government-wide initiative. This additional request appears to target "readiness and modernization challenges" in the Department of Defense. The figures imply the budget will decline \$5 billion in nominal terms and \$15.2 billion in real terms assuming a 2 percent inflation rate in 2015. The requested budget calls for 1.3 million active duty personnel, 0.8 million reserve and guard personnel and 0.7 million civilian personnel. A third of the budget is targeted towards future defense needs. About \$5.4 billion will be spent on military construction. The budget calls for more efficiency, which will cut budgets at headquarters by 20 percent. Contractor funding will be cut, the number of civilian workers will be reduced along with a reduction in defense support agencies. Pay raises for active military will be reduced along with some benefits for health care and certain housing allowances. Commissary subsidies are being reduced over the next several fiscal years. The budget also calls for another round of Base Realignment and Closure (BRAC) to begin in FY17. All of this said, the questions are how, when and how much will this affect the military complex in El Paso County? Since that is yet unclear, economic forecasts are somewhat speculative.

There are other factors keeping the local economy from growing at a rate closer to Colorado's overall growth next year. First, oil and gas exploration and development, so far, have not yielded any results. Other regions in Colorado are benefitting from oil and gas extraction and that does not appear to be likely in Southern Colorado. The test wells that were drilled in the county

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have come up dry or at least with very immature oil and gas discoveries. Second, the region has been unable to attract new jobs in significant numbers to help diversify the economy. Fostering new and growing clusters and developing new, organic businesses is likely to be more fruitful. This has certainly been the case in other communities across the country. This is the topic of the white paper in the next section.

Some positive, recent trends include the return of recreation and tourism. After two years of fire and floods which scared away many tourists, the summer turned pleasant with ample amounts of rain. The rain kept the fires away, yet did not create any floods. The improved conditions fostered a much improved tourism season with many attractions reporting strong attendance gains over the past two years. This can also be seen in the hotel occupancy and revenue information included herein.

The Colorado Springs Regional Business Alliance continues to work hard to attract new businesses to the region as well as help existing businesses grow. The City for Champions initiative has the potential to create a number of temporary, construction jobs as one or more of the four proposed venues begin construction in the next year or two. It is encouraging that there are also a number of startup and innovative companies choosing Colorado Springs as their location of choice. The next section describes the great potential of entrepreneurship and innovation as a primary engine of sustainable and robust economic development .

A summary table of the Forum forecasts for the remain-



Beautiful Downtown Colorado Springs

der of 2014 and all of 2015 is included on page 20.

“Catching the Colorado Wave: Entrepreneurship and Innovation in Southern Colorado”

Why Entrepreneurship and Innovation?

As is true in other communities yearning for greater economic growth, Colorado Springs has had recurring discussions about the desire to keep more youth in the region. The recipe for retaining and attracting new, young and highly skilled workers requires various ingredients; however, the main one boils down to jobs. Certainly, jobs have been the bane of the economic recovery in the U.S., but things are turning around, and in fact, Colorado has one of the lowest unemployment rates (5.3% SA) in the nation (6.2% SA) as of July 30, 2014 (Bureau of Labor Statistics). Even from January to July of this year, employment grew by over 1.1 million jobs across the nation, although total employment is still 243,000 jobs shy of the all-time high reached in November 2007 prior to the Great Recession. For the State of Colorado, the picture is even better: the Bureau of Labor Statistics (Current Employment Statistics) report of the seasonally adjusted nonfarm employment in July was 2,452,200, which is 89,500 jobs *higher* than the pre-recession level reported in May of 2008. Much of this growth in employment is due to the relatively educated labor force within the state: highly skilled workers are almost always in greater demand. In the case of Colorado, a high proportion of these highly skilled workers have migrated from other states (and this will be discussed below in greater detail). First, however, it is important to look at what characteristically fuels economic growth and its close corollary, job growth:

- “Research has established that new firms—those no more than five years old—over the past three decades have been responsible for virtually all of the net new jobs created in our economy.” *U.S. Joint Economic Committee*
- “Small firms accounted for 63% of the net new jobs created between 1993 and mid-2013.” *SBA Office of Advocacy*
- Since the end of the recession (from mid-2009 to mid-2013), small firms accounted for 60 percent of net new jobs. (*Small Business Administration*)
- In 2011, there were 5.7 million employer firms in the United States. Firms with fewer than 500 workers accounted for 99.7 percent of those businesses. Businesses with less than 20 workers made up 89.8 percent. *U.S. Census Bureau*
- Add in the number of nonemployer firms (22.7 million in 2012) and firms with less than 20 workers

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increases to 98 percent. *U.S. Census Bureau*

- “A record of more than 302,000 U.S. companies exported goods in 2011, nearly 98 percent of which (295,594) in 2011 were small or medium-sized companies (SMEs) with fewer than 500 employees.” *International Trade Administration*

- Small businesses account for 46 percent of total, U.S. GDP. *U.S. Census Bureau*

Given these statistics, it is not surprising that according to Edward Glasser and William Kerr of Harvard University, “Small, independent firms are one of the best predictors of urban growth” (2013). Most individuals would not argue with this premise, but what is not often discussed and understood is that these small, independent and often innovative companies are usually organic meaning they are usually bred from within a community. Diversified, robust and sustained economic growth in a given region is usually home-grown in nature. This is counter to many people’s perceptions about the need to attract large employers from external regions and is seemingly counter to the historical perception of large employers as the anchor of economic growth.

In today’s highly specialized economy and with today’s incredible access to industry information, market information, as well as the ease of transportation and communication, many of the traditional barriers to entry have dissipated. Couple this with the fundamental, free enterprise structure of the U.S. economy and there is a relatively hospitable environment for entrepreneurship and innovation. In fact, one of the United States’ areas of comparative advantage is that relative to many other developed nations, U.S. entrepreneurs and small business owners have more ease, ability and incentive to start a new business and/or grow a small business. As a state, Colorado has capitalized on this comparative advantage.

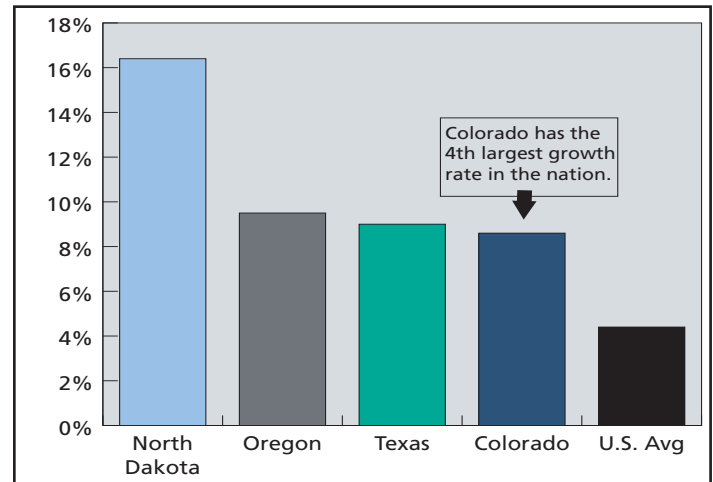
Colorado and Southern Colorado Job-Related Status

The State of Colorado stands out as one of the most successful in the past few years as measured by the Philadelphia’s Federal Reserve State Coincident Economic Activity Index, which is an index that combines employment levels, average hours worked in manufacturing, the unemployment rate and inflation-adjusted wage and salary disbursements. The State of Colorado ranked 4th in this measure in the nation, and it is very closely tied to the 2nd and 3rd states as can be seen in Figure 1.

This index correlates well with the GSP, or gross state

product, in which Colorado came sixth during the same time period. An over 8 percent increase in state economic activity in a two year period is commendable, especially given that many states have continued to languish in the prolonged and anemic recovery. Not surprisingly, this increase in overall economic activity within Colorado

Figure 1. State Economic Activity Index, Percentage Change 2012 to April 2014

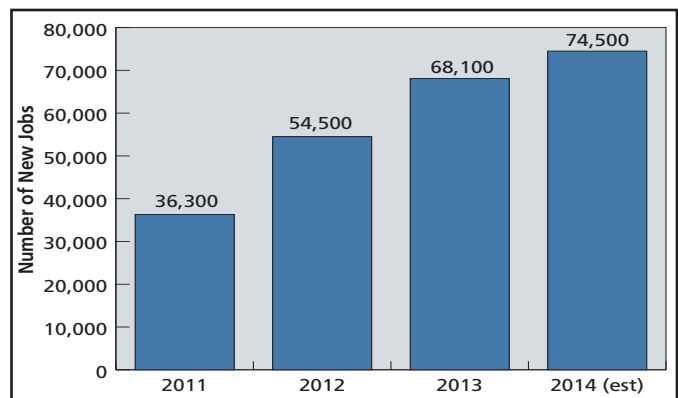


Source: Philadelphia Federal Reserve’s State Coincident Economic Activity Index

has translated into robust job growth as can be seen in Figures 2 and 3.

Figure 2 demonstrates that the number of new jobs in Colorado has roughly doubled from 2011 to 2014 (105% increase). Even from 2013 to 2014, the number of new jobs increased 9.4 percent. This does not mean total employment increased by this ratio, but it does demonstrate that there has been a remarkable increase in the number of new jobs. Although many new companies do not survive the first year or few years in business (and the “new” jobs become part of the unemployment statistic), there can be tremendous power in the growth of new businesses that do survive. This is especially true for the highly entrepreneurial ventures that create new products,

Figure 2. Number of New Jobs in Colorado

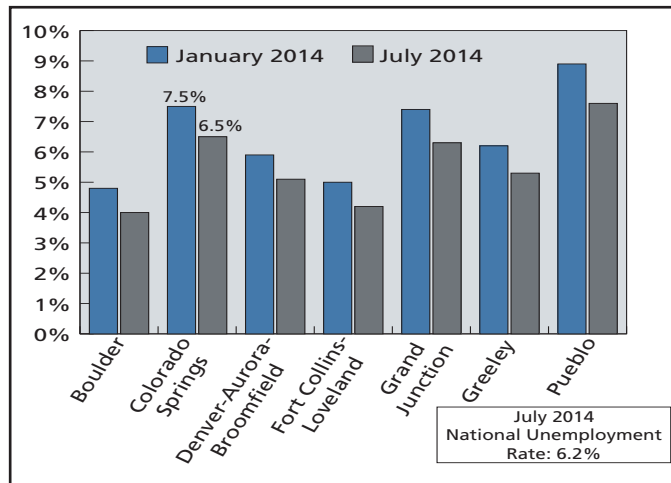


Source: Colorado-based Business and Economic Research (<http://cber.co>)

with new technologies and ideas. If a company has a truly new product, technology or niche and can survive the first few years in business, it is more likely to be a “gazelle” that not only creates new jobs, but also maintains those jobs within the market and in fact, creates further jobs as it brings its new product(s) to scale. Hence, communities that foster entrepreneurial growth, know how to nurture small business growth and have a higher proportion of inventive companies are ahead of the curve.

Figure 3 demonstrates that the (seasonally adjusted) unemployment rates for a few of the metropolitan statistical areas, or MSAs, in Colorado reflect these net job gains. In particular, Boulder, Denver and Fort Collins MSAs have unemployment rates that are significantly lower than the national rate. Boulder’s unemployment rate was 4% in July of 2014, Denver’s was 5.1 percent and Fort Collins’ was 4.2 percent while it was 6.2 per-

Figure 3. Unemployment Rates in Colorado MSAs



Values are seasonally adjusted.
Source: Bureau of Labor Statistics, Local Area Unemployment Statistics

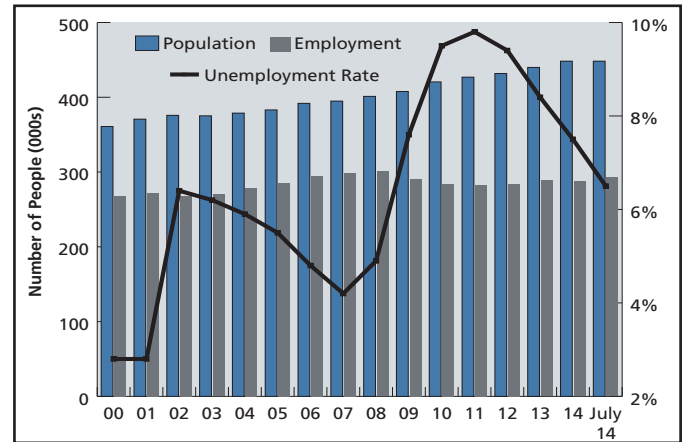
cent nationally. Pueblo and Colorado Springs rates were 7.6 percent and 6.5 percent respectively, both higher than the national rate.

Colorado Springs is not alone in its challenges to re-establish pre-recessional and/or “natural” rates of unemployment after the particularly severe recession. It is true, however, that Southern Colorado stands out as somewhat anomalous because it is housed within a state that is flourishing. Most other municipalities that are still trailing behind U.S. averages for gross metropolitan product and employment are within states that are struggling as a whole. This is not the case for Southern Colorado. As can be seen in Figure 3, the regions that are doing well in Colorado are doing remarkably well, and they are driving the state’s overall, positive economic boom.

To understand and address this phenomenon better,

it is helpful to look at the data more closely. Figure 4 shows how total employment in the Colorado Springs MSA has changed over time (2000 to 2014). Although there are modest increases in employment from 2000 (268,200) to July 2014 (292,694), a 7.1 percent increase, these increases are quite small when juxtaposed to increases in population. Population has increased by 24.2 percent. The unemployment rate reflects this: unemployment in 2000 was 2.8 percent and in July 2014, the unemployment rate was 6.5 percent. It was 7.5 percent

Figure 4. Population, Employment Levels and Unemployment Rates in Colorado Springs MSA, (January) 2000 - 2014

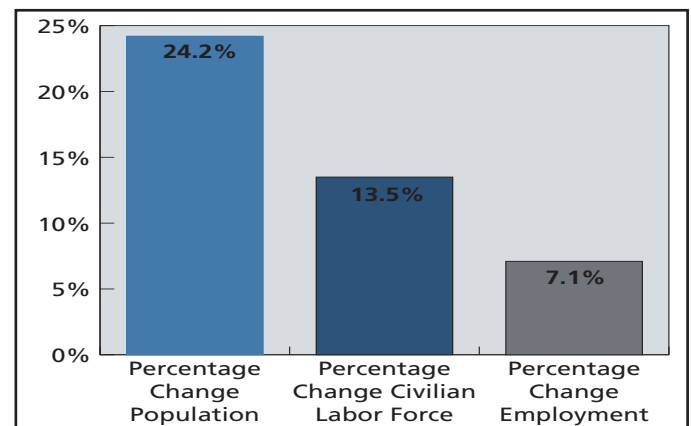


Values are seasonally adjusted, January figures.
Source: Bureau of Labor Statistics, Local Area Unemployment Statistics

as recently as January (all figures are seasonally adjusted). So, although the employment situation is improving in Colorado Springs, it is still well above the state average.

One often-cited caveat to this scenario of high unemployment is that Colorado Springs has a high number and proportion of retirees who contribute to population growth but do not contribute to employment levels because they are retired. This may explain part of the low employment to population ratios, but Figure 5 demon-

Figure 5. 2000 - 2014 Employment Change Relative to Population and Civilian Labor Force, Colorado Springs MSA



Sources: Bureau of Labor Statistics; U.S. Census Bureau

strates that the civilian labor force has grown 13.5 percent during this 14-year period, but again, employment levels have only grown 7.1 percent. This translates into many Colorado Springs residents who are looking for work but cannot secure a position.

Translating State Successes into Regional Successes

The lack of economic growth and persistently high unemployment rates in Colorado Springs is emblematic of a deeper problem in the region. Simply stated, the area has lost jobs in key sectors of the economy which have not been replaced by other sectors. It is a topic of discussion and concern in just about every formal and informal meeting in the region. However, Southern Colorado may have an advantage over other struggling regions in the country in that it is housed within a state that is not only thriving economically, but the engine of that growth is entrepreneurship and innovation. There are countless examples across the country that demonstrate new business startups and successful small businesses that survive the crucial first five years are the primary vehicles of sustained, diversified and robust economic growth. This is true for a variety of reasons, but the most obvious is that over reliance on one or very few, primary employers is risky. Colorado Springs experienced this first hand in the 2000s with the departure of some high tech firms. Some might also argue that the reliance on the military has also impeded growth: demand for everything from housing to cars to restaurants and clothing has persisted at acceptable levels because of the large military presence. The military growth from 2003 to 2013 and its economic impact reduced the immediacy and need to push for innovation and diversification. Yet, with the possibility of significant troop reductions or of a base closure from further Department of Defense cuts in the coming years, this anchor for economic activity is no longer a given.

The question then becomes how Southern Colorado can translate some of the state's successes into its own success. There is an argument to be made that Southern Colorado is currently in a unique, potentially opportunistic situation. First, let us look at the state-wide scenario: a) there is a great degree of in-migration, b) much of that migration is comprised of college-educated and other highly skilled workers, c) there is what seems to be a contagion of entrepreneurship and innovation that has spread from the Boulder region into Fort Collins and Denver and d) the state as a whole is one of the few in the nation that has excess revenue and is in the black perhaps creating an opportunity for economic development grants that focus on Colorado's strength (startups and small business growth). An important corollary to this last point is that Colorado's increasing reputation as an entrepreneurial state (which traditionally had be-

longed almost exclusively to Boulder) in and of itself attracts more entrepreneurs and innovators as well as more venture and angel funding. Colorado Springs can capitalize on this with a targeted, action-oriented strategy. Some of the core elements of how to bolster entrepreneurship and innovation in a given community are expounded upon below.

Sectors where Colorado Springs Has Comparative Advantage

This region's historical evolution and natural comparative advantage have produced benefits in at least a couple of sectors. One obvious sector that has been at the forefront for years relates to healing, wellness, the outdoors and exercise. Colorado Springs has a long history in this particular sector: the early days of sanitariums for the treatment of TB and other maladies, the healing properties of spring water and the natural, and dramatic landscape for exercise and rehabilitation. In the vernacular of the economic development and industrial organization literature, health care was the "regional, industrial identity" of Colorado Springs and for many good reasons. In this case, the regional, industrial identity is mostly defined by fortuitous attributes including the dry, high altitude, an abundance of sunshine and, as we now know, the associated immune-boosting vitamin D, relatively mild winters, and a wealth of outdoor, sports and leisure-related activities. The beauty of this history is that none of that natural, comparative advantage has disappeared or even dissipated. In fact, it can be argued that the opportunity to capitalize on this inherent advantage is even greater today. The dramatic increase in health care expenditures coupled with the high obesity/overweight and chronic disease rates have created a seismic shift in the U.S. health care landscape. There may be disagreement on how to tackle the health care crisis (which has many determinants), but there is consensus that something has to change if the U.S. is to maintain its economic standing in the world. Our relatively unhealthy population and the concomitant health care expenditures are eclipsing our economic growth. This, alongside the high rate of uninsured, set the stage for change and has taken us to the Patient Protection and Affordable Care Act (ACA). The act is complex because health care in the U.S. is complex, but it includes some very specific initiatives and mandates to focus more on preventive health, disease management and wellness via greater physical activity. This is tackling the health care crisis from the demand side by keeping individuals healthier. Whether ACA turns out to be part of the permanent health care landscape and whether it turns out to achieve all it sets out to accomplish remains to be seen. However, the reality is that any health care reform, whether driven by the public or private sector or both, will incorporate much more of a holistic, outcome-driven, integrated and disease pre-

vention approach. For Colorado Springs, this translates into a business and economic growth opportunity.

For the reasons stated above, the health and wellness sector has been one of the obvious target industries for economic development in Colorado Springs for some time. This is not a recent development or revelation. Health care and wellness have significant traction in the region already, the most obvious being the placement of the U.S. Olympic training center and headquarters in Colorado Springs. More recently, the City for Champions initiative is expected to further promote the health, wellness and recreational attributes of the city. There are also a variety of medical device businesses in addition to the traditional health care providers such

A Colorado Springs Startup Success Story: Fatbike

Steve Kaczmarek founded Fatbike in Colorado Springs in January of 2013 with two employees. Steve was teaching entrepreneurial studies at Colorado College in 2012 and was approached by a student, Adam Miller. Adam originally approached Steve about potentially starting a Fatbike Company although he didn't know that Steve would be interested in investing and/or participating in the idea. This discussion was in November of 2012. Adam had worked for a company in Anchorage, AK where the Fatbike phenomenon truly started and had worked at bike shops since the age of 14. Steve quickly learned that Adam is truly one of the most experienced Fatbike designers and riders in the world. The two entrepreneurs combined efforts to make the lightest Fatbike in the world out of carbon fiber with the best components while providing the highest customer service. The overarching goal was to have fun and help others have fun with their premier products. Their one year anniversary for their first, shipped bike was on August 28, 2014. Sales in the first 12 months was just under \$3 million, and they now employ 14 people. Steve and Adam took their combined knowledge, their love of sports and they capitalized on the world class trails and topography of Colorado Springs. Steve says: "It's important for entrepreneurs to love what they do and have an extreme passion for the product or service they offer." He also says he "would start a company again in Colorado Springs because of the quality of life, access to hard working talent and general acceptance of startups within the city." The Fatbike Company is now the world leader in carbon fiber Fatbikes with their Borealis Brand. The company produces more of them than any other company, and they are right here in Colorado Springs.

as dPix, Bal Seal Engineering, Spectranetics and others. Riding the wave of health, wellness and recreation there are other startup businesses from bike manufacturers like Fatbike (see box on this page) to sport-related software companies like FuseSport.

Other Important Sectors

Another obvious comparative advantage in the region is the aerospace and defense sectors because of the four military installations here. Although it may be true, as aforementioned, that the military sustains demand for goods and services in the region but does not necessarily create new jobs, the technology commercialization of some military applications that also have civilian use can (and has) created some new businesses in Southern Colorado. Of special note is the very recent agreement between the Air Force Academy, which generates approximately \$64 million in research and development each year, and the Colorado Springs Technology Incubator. A strong tie between research institutions and new or existing businesses is a key element of economic growth via entrepreneurship and innovation so partnerships like this one are quite promising. Likewise, there are some small businesses and individual consultants who have emerged from the plethora of civilian contracts that are for military use. Some of these synergies have already occurred in the region and have resulted in notable success stories such as Boecore (see box on the next page) and Braxton Technologies, both

Since 2007, High Altitude Investors (HAI) has invested between \$11 and \$16 million in Colorado Springs' startups. On average, HAI invests in approximately three new businesses per year.

homegrown enterprises. Established, national firms such as Raytheon and Boeing recognize the advantage of proximity to military installations and military expertise and have had a significant presence in the area for many years.

Most everyone in Colorado Springs agrees that the area has strong comparative advantage in at least a few sectors with high growth potential. The task at hand now is how to marry the contagion of entrepreneurship and innovation in the state with the existing strengths of the Colorado Springs region. Since Boulder, Denver and Fort Collins have been able to foster small, homegrown entrepreneurial ventures, Colorado Springs certainly can and will benefit greatly if it does. The "entrepreneurial ecosystem" in the region has to have certain core elements in order for that to occur, however. This is the focus of the last section.

Building and Fostering an Entrepreneurial and Innovative Ecosystem

Although Southern Colorado may not have the mature

and dynamic entrepreneurial ecosystem of other areas such as Houston, Omaha, Denver, Raleigh or Tulsa, it does have an existing and growing ecosystem for entrepreneurs and innovators. There are co-working spaces such as The Enclave and Epicentral, which recently expanded; incubators such as the Colorado Springs Technology Incubator, which just signed the agreement with the Air Force Academy for technology commercialization as mentioned above; funding sources such as High Altitude Investors; and networking and feedback events such as Mash Up and One Million Cups,

A Colorado Springs Startup Success Story: Boecore

Boecore is a woman-owned, small engineering firm founded in 2000 with now over 200 employees that develops, operates and maintains missile defense, space and cyber systems. Boecore has offices and program locations in Colorado, California, Arizona, New Mexico, Alabama, Georgia, North Carolina, and Virginia. The founder, Kathy Boe, started Boecore in Colorado Springs with \$5,000 and a desire to create a company that focused on hiring the very best engineers and technical professionals while creating an employee culture that made employees feel they were valued. She won entrepreneur of the year in 2009, the Accolades Business Woman of the year in 2013 and the Business Alliance Company of the Year in 2013. In 2012, Boecore was awarded a five-year, \$30 million contract to provide information technology support for the Army Space and Missile Defense Command and the Army Forces Strategic Command in Colorado Springs and Huntsville, Alabama, which resulted in 50 additional, high-skilled jobs in the community. Boe says, "That to start a business from scratch, it is important to have a vision, stick with it and never become complacent. It is important to always be looking for ways of improving what you do and never lose touch of your customers' and employees' perspectives." Boe also states that she would start a business in Colorado Springs again because of the great people she has had the opportunity to work with and the small business climate in our community.

to name a few. There are some other, key elements that can bolster the impact of this existing ecosystem. A look at some of the nation's most successful entrepreneurial cities provides valuable insights into where and how to target efforts.

Regional Identities

One of the common themes in regions that have had striking success with respect to startups and small business growth is the creation of a "regional, industrial identity" (Romanelli & Khessina, 2005). A regional, in-

dustrial identity is simply a type of business or cluster of businesses that have emerged in a region because of a specific comparative advantage or because of a series of historical events that have occurred over time identifying that region as specialized in a given sector. This regional, industrial identity impacts economic investments such as (working) individuals' choices about where to live, entrepreneurs' decisions about where to locate their business, and investors' decisions about where to invest their financial resources. This is not to say a region has to focus its economic development efforts in only one sector, it just means that one or two sectors may be the primary or leading sectors. The Colorado Springs Regional Business Alliance has recognized the importance of the health, wellness and exercise sector as well as the aerospace and defense sector as clusters for economic development. One of the major advantages to having a regional, industrial identity is the positive feedback loop it creates: as a region blossoms economically and establishes itself as a player in that cluster(s), more businesses start up or relocate and investor dollars often follow. Furthermore, as an area develops a regional, industrial identity and other businesses benefit from the multiplier effect of the inherent economic growth, other industrial identities can emerge. Many cities are known for several of their cluster strengths.

The region has to agree on this regional, industrial identity and agree to have a unified voice on pursuing economic development through this lens. City for Champions is a move in this direction, and it is part of the reason a unified, and systematic execution of this initiative is critical. This is also true, however, for the much smaller initiatives that support entrepreneurs and existing small businesses. Exposing and encouraging the entrepreneurial ecosystem is important, and having the regional, industrial identity helps focus efforts.

A Unified Association

An important complement to the identification and unification of the regional, industrial identity is a coalition or association where the key members of the industry can come together to work towards the common goal of economic development. This assists in the collaboration of various organizations such that they are piecing together what attributes they bring to the community table, what barriers they face in attracting complementary businesses and fostering new businesses, and how they can collectively help remove those barriers. A coalition can also identify what distinguishes them from other communities, how they can market unique advantages, and how they might even jointly bid on grants or contracts.

Co-location Spaces

Co-location spaces such as Galvanize in Denver and on

**Table 3: Colorado Startup Value Survey Results
Regional Averages, Colorado Companies (348 Responses)**

Attribute	Impact Weight	Colorado Average Score	Score Among Colorado Promoters	Denver*	Boulder	Ft. Collins	Southern Colorado	Western Slope
<i>What Startups Get</i>								
Network for Startups	38%	7.0	8.4	6.9	8.5	7.2	5.2	6.3
Availability of Talent	6%	6.1	7.1	6.5	6.8	6.7	4.8	4.9
Access to Capital	11%	4.7	5.3	4.3	5.5	4.5	3.8	5.2
Local Atmosphere	29%	8.3	9.3	8.5	9.3	8.9	6.9	7.3
Institutions	15%	6.0	6.9	5.8	6.7	7.8	4.8	5.2
<i>"What I Get"</i>	100%	7.0	8.1	7.0	8.2	7.6	5.4	6.4
<i>What Startups Pay</i>								
Business Costs	52%	6.0	6.4	6.3	5.8	6.0	5.8	5.8
Government-Related	18%	5.2	5.8	5.3	5.7	6.0	4.4	4.7
Personal Costs	30%	6.0	6.6	6.2	5.1	6.1	6.5	6.1
<i>"What I Pay"</i>	100%	6.3	7.0	6.5	6.0	6.4	5.9	5.9
<i>Overall Value</i>								
What I Get	71%	7.0	8.1	7.0	8.2	7.6	5.9	6.4
What I Pay	29%	6.3	7.0	6.5	6.0	6.4	5.9	5.9
Overall Value	100%	7.8	9.1	7.8	8.3	8.1	6.5	7.5
*Denver Metro Area Not Including Boulder								
*Source: Office of State Planning and Budgeting, 2013								

a smaller but growing scale, Epicentral, have also been proven to nourish the entrepreneurial culture. There is a lot of data to support that central locations improve communication of new ideas; in other words, cross pollination occurs when there is entrepreneurial density. Downtown residential apartments are also a “success factor,” for the same reason. Events such as One Million Cups have met tremendous success in other cities, and even though it is in its nascent phase, the Kauffman-funded event already has palpable energy here in Colorado Springs.

Branding and Marketing

Branding and marketing this regional, industrial identity and the strong, entrepreneurial environment also helps “advertise” the region as a national leader in the primary sector or sectors as well as a leader in fostering small business development and growth. This is one area where the state’s favorable budgetary position can help. There are state grants related to this such as Colorado’s Advanced Industries Accelerator Act, which focuses on early stage capital and tech commercialization in seven sectors: information technology, infrastructure engi-

neering, energy and natural resources, advanced manufacturing, bioscience, aerospace and electronics. Again, Southern Colorado can benefit from the fact that unlike other struggling regions, it potentially has funds available not only from the private sector but also from public sources.

In fact, Colorado Springs has been highlighted in the Office of State Planning and Budgeting report on entrepreneurship and innovation as a region that is not matching other regions in the state. The OSPB survey of 348 companies basically had two major findings relative to this report. One, across the state entrepreneurs stated that out of various attributes necessary for success, “networks” and “local atmosphere” are the two most important, as can be seen by the higher impact weights in Table 3 above. The second major finding is that Southern Colorado, relative to other Colorado regions, has consistently low scores across many of the categories, meaning that the entrepreneurial ecosystem still has room for improvement. The good news is that this report reinforces the best practices demonstrated across the nation and discussed above that highlight the

importance of a culture of entrepreneurship, including networking events, venues for mentoring, and co-locating spaces. These are all attributes that exist in Colorado Springs and that are expanding. Also, this state-wide research can help identify where the Southern Colorado entrepreneurial community can target its efforts for improvement. As mentioned above, it also serves as hard data that can be taken to state and philanthropic funding sources that are looking to boost economic development in our region.

Immigrants

Other regions that have obtained economic growth through entrepreneurship and innovation have created communities that welcome immigrants. Attracting immigrants has proven to be beneficial for many communities since immigrants are more than twice as likely to found a company as a native-born citizen. They started 28% of all new U.S. businesses in 2011, despite accounting for just 12.9% of the U.S. population. Immigrants in the U.S. have contributed to over half of international patents so they are also engines of new ideas. Immigrant-owned companies now generate more than \$775 billion in annual revenue and \$100 billion in income employing one out of every 10 workers. Although the attraction of immigrants may not be a necessary component, it is worth consideration for a community to see if there are mechanisms to attract and retain immigrants given their disproportionate and positive influence on the startup rate. Many of the top universities in the nation partner with city and state governments to do just this because they are familiar with the benefits of educating and retaining this segment of their student population.

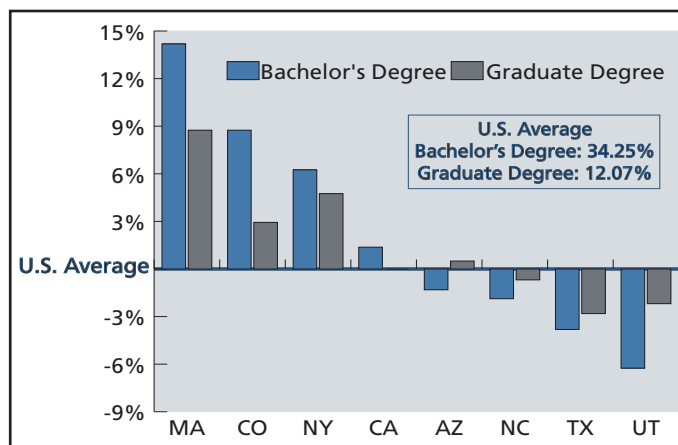
A Skilled Workforce

An educated and highly skilled workforce is another, obvious success factor. As mentioned in the beginning of this analysis, Colorado as a state is at a great advantage in this regard. Colorado is fifth highest in the nation for in-migration. Couple this with the very high percentage of existing and in-migrating individuals who possess a bachelor's degree or higher, and the state becomes even more attractive to entrepreneurs, investors and existing businesses. Colorado's population has a very high percentage of college graduates when compared to the rest of the nation. In 2012, 48 percent of in-migrants to Colorado aged 25 years and older had a bachelor's degree or higher, which is higher than individuals who migrate to other states (where 40% have a bachelor's degree or higher). It is not surprising then, that Colorado's residents as a whole are much more educated than the national average as can be seen in Figure 6.

Conclusion

The pathway to robust and sustainable economic development can be elusive and certainly, can take time.

Figure 6. Education of the Workforce Relative to the U.S. in 2012



Source: Office of State Planning and Budgeting, 2014

Each region has its own strengths and challenges which require strategies that are specific to the population, history, culture and existing economic structure within that region. Many would agree that a strength of the U.S. is that it has a relatively nimble economic structure that allows individuals to start and grow businesses. Moreover, a pillar of the economic success of the U.S. as a whole is the ability to generate new ideas and technologies and to proliferate those innovations to broad markets. Even when new ideas or technologies are not involved, individuals can identify real-time market needs or niches and respond to those needs by starting a business of their own. This not only directly employs the entrepreneur, it also has the potential to fill a distinct market need. If the business is successful, it can further advance economic development through the employment of additional workers and through the associated multiplier effect of higher, regional employment levels. Equally important is ensuring that there is a regional structure in place that enables nascent businesses to survive and, in fact, thrive once they have an established business.

There are many examples across the nation of regions that have struggled economically but that have studied this approach and have created a roadmap for enhancing their entrepreneurial ecosystem. Regions that have been able to do this typically have many if not all of the elements described above, although certainly more "success factors" exist. Colorado Springs has a plethora of natural and acquired comparative advantages, and these can be further capitalized upon. Given that the economy in the U.S. as a whole appears to be on more solid footing and that the State of Colorado in aggregate is performing remarkably well, perhaps now is the opportune time for Southern Colorado to "Catch the Colorado Wave" through the distinctly American approach of entrepreneurship and innovation.

Tatiana Bailey wishes to thank Dagmar Brady, Stella Brock, Ian Glassford, Tom Zwirlein, Rebecca Wilder and Laura Blomquist for providing edits and other valuable input.

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Acknowledgments

A special thank you goes to our valuable partners who provide generous financial support and guidance in producing the Southern Colorado Economic Forum. Many thanks again to all of our partners.

This year marks another year of our joint effort between the Forum and Holland & Hart's annual Business Symposium. We thank Holland & Hart for their partnership, and we want to especially thank them for providing marketing, design and web support for the Forum.

A special thanks to all of our partners who helped organize this year's Forum and helped to put together our program. We want to also thank our keynote speaker, our panel moderator and all of the panelists.

Finally, to all of the Forum partners, attendees and other sup-

porters, we wish you continued success in the coming year.

This is Tatiana Bailey's first year of involvement in the Forum. Tatiana was hired as the new director of the Southern Colorado Economic Forum and began her new position in June of this year. Welcome aboard, Tatiana, and good luck in your new position. The Forum partners are excited to have you aboard and are looking forward to a long and prosperous relationship.

Saying hello to someone new usually means saying goodbye to someone else. Fred Crowley, long time senior economist and associate director, retired from the Forum in June. Fred made the decision to devote full-time to teaching and enjoy more time for relaxation during the summer. We thank Fred for all of his years of service, his dedication, his sense of humor and his candid assessment of economic conditions in the region. We will miss his thoughtful insights and quick wit. Good luck Fred in your future endeavors.

Tom also decided he needed more time for relaxation. He gave up his position as Forum director in July, but agreed to assist the new director through her first Forum. Tom will be returning exclusively to his more traditional faculty role and will also work more actively on promoting and developing College of Businesses' international initiative. In that capacity he hopes to encourage more College of Business students to study abroad and to bring more international students to UCCS. He also plans more international travel to work on more partnerships. Tom has thoroughly enjoyed working with the Forum business partners over the past 17+ years and will miss working with them. At the same time he is pleased to see how quickly Tatiana has integrated herself into the Forum and wishes her and the Forum all the best in the future.

Finally, we welcome Rebecca Wilder to the Forum staff. Rebecca is currently working on her MBA and joined the Forum as a research assistant in June. She fell into the role quickly and has been an enormous help in preparing this year's Forum. Thank you, Rebecca.

Thomas Zwirlein, Ph.D.

Professor of Finance and Former Director of the Southern Colorado Economic Forum

Tatiana Bailey, Ph.D.

Director of the Southern Colorado Economic Forum

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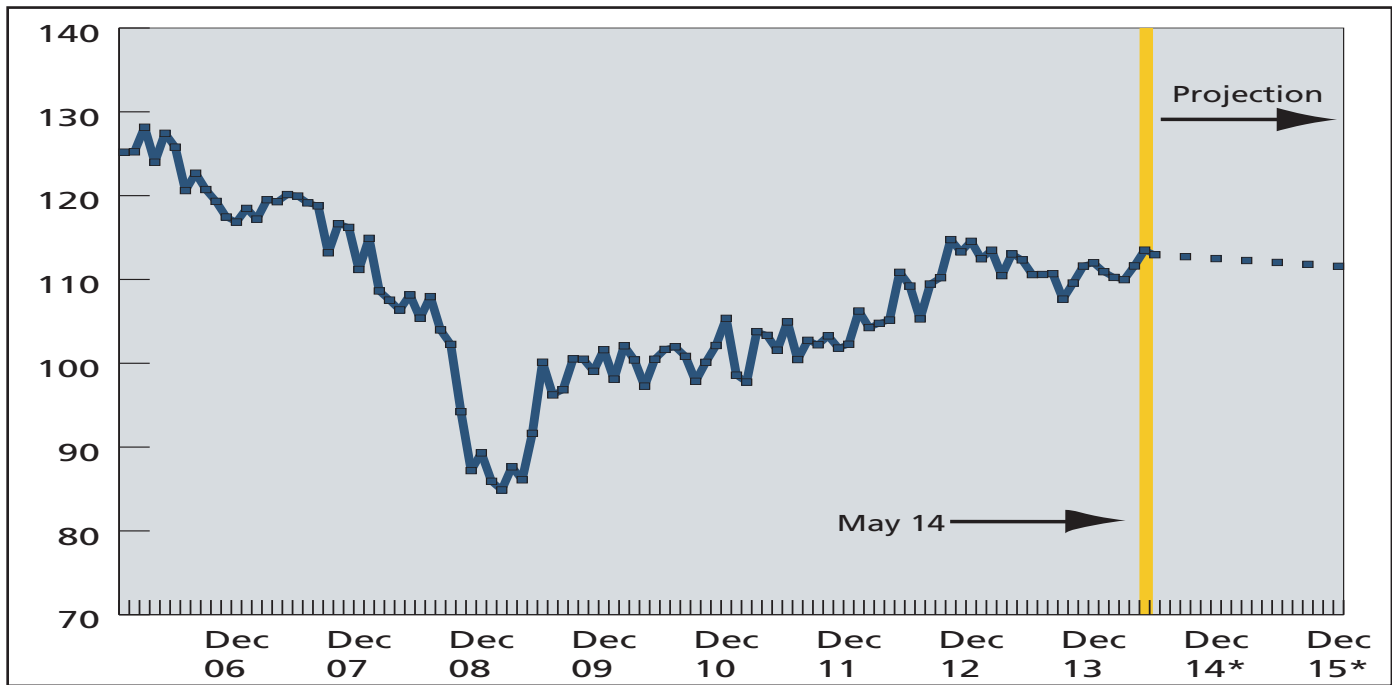
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Forecast Summary

Actual, Estimated and Forecast Percent Change in Key Economic Indicators: U.S., Colorado and El Paso County										
		United States			Colorado			El Paso County		
		2013	2014*	2015*	2013	2014*	2015*	2013	2014*	2015*
		Actual	Estimate	Forecast	Actual	Estimate	Forecast	Actual	Estimate	Forecast
1	Population	0.7	0.8	0.8	1.6	1.7	1.7	1.4	1.6	1.5
2	Unemployment Rate	7.4	6.3	5.9	6.8	5.8	5.1	8.0	7.2	6.9
3	GDP/GSP/GMP	2.2	2.4	2.9	3.8	4.4	4.5	2.1	2.2	2.8
4	Industrial Production	2.9	4.0	4.5	-	-	-	-	-	-
5	Non-Agricultural Employment	1.7	1.8	1.9	3.1	3.1	2.8	2.4	2.1	2.2
6	Total Wages & Salaries	3.0	5.0	5.3	3.7	6.2	6.0	2.2	4.1	4.4
7	Average Wages & Salaries	1.3	3.2	3.4	0.6	3.1	3.2	-0.1	2.0	2.2
8	Consumer Price Index (CPI)	1.5	1.8	2.0	2.8	2.6	2.5	-	-	-
9	Personal Income	2.8	4.5	5.4	3.4	5.9	5.7	3.2	3.5	3.9
10	Per Capita Personal Income	2.1	3.7	4.6	1.8	4.1	4.0	1.8	2.0	2.2
11	Retail Trade	4.2	4.0	5.3	4.5	5.5	5.8	4.0	5.0	5.1
12	Single Family Housing Permits ¹	16.3	19.6	27.1	17.2	30.9	18.1	18.5	2.7	3.4
13	Non-Residential Construction	7.2	5.8	8.0	-2.0	6.7	7.9	101.7	-35.2	13.2
<p>Sources: Colorado Office of Budgeting and Planning, June 2014 Revenue Forecast; Federal Reserve Bank of Philadelphia; Federal Reserve Bank of St. Louis; Bureau of Economic Analysis; Southern Colorado Economic Forum</p> <p>¹ Includes single family detached and town home units.</p> <p>*Estimate/projection</p>										

Business Conditions Index

Business Conditions Index (BCI): December 2007-June 2009 = 100



* Projections were made with the ARIMA time-series model.

	COS Enplanements	El Paso Single Family & Town Home Permits	University of Michigan Consumer Sentiment	Kansas City Fed Mfg Index	El Paso Employment Rate	Colorado Springs 2% Sales & Use Tax	El Paso County New Car Sales	El Paso County Foreclosures	El Paso County Employment	El Paso County Income	BCI
Dec-13	64.12	221.63	128.49	99.21	99.17	122.07	139.71	101.92	97.85	101.53	111.99
Jan-14	53.71	191.35	125.22	112.09	98.79	119.08	169.07	101.39	97.56	99.35	110.92
Feb-14	47.03	189.98	127.09	111.20	98.67	126.53	169.42	101.44	98.26	99.59	110.24
Mar-14	62.91	192.90	124.60	118.48	98.62	116.33	126.23	101.19	98.55	100.02	109.97
Apr-14	57.68	191.27	130.99	116.34	99.13	118.23	152.23	101.56	98.41	100.06	111.61
May-14	71.30	173.92	127.56	124.07	99.62	119.40	150.30	101.67	98.57	100.88	113.50

WHY IS THIS IMPORTANT?

An index that combines various aspects of the economy can be useful as a general gauge on whether the economy as a whole is expanding, contracting or remaining stable. Business condition indices (BCI) are used by various communities for this purpose. The BCI for El Paso County includes ten parameters outlined in the table above. The indices for the individual components of the BCI are simply measures that compare the most recent activity numbers, such as number of enplanements or single family and town home permits, to baseline years during the recession: December 2007 to June 2009. The recession period average activity numbers serves as the index of 100. The BCI and its component indicators are seasonally adjusted.

HOW ARE WE DOING?

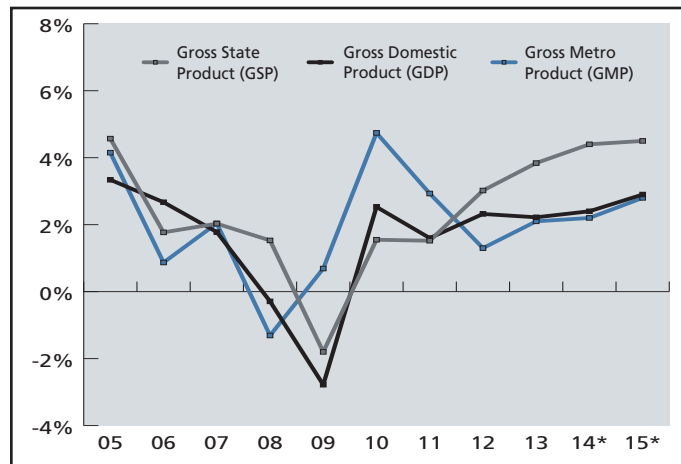
The BCI stabilized at relatively low values in late 2008 through February 2009 before beginning to rebound. As of May 2014, the BCI is up to 113.5 over its February 2009 low of 84.9 representing a 33.7% improvement from the lowest point during the recession. As is seen in the table above, low enplanement levels at the Colorado Springs airport do hold down the index to an extent. Employment, income and foreclosures have held steady at around the 100 mark meaning these measures have not improved or deteriorated very much since the recession, which is different than the rest of the nation. El Paso County single family and town home permits have the highest index component com-

pared to the 2007 to 2009 baseline simply meaning that construction is significantly greater now than during the recession, which is not surprising. New car sales are strong (150.3) as is the Kansas City Fed manufacturing index (124.07). The University of Michigan consumer sentiment is a national measure and it is also strong (127.56) as compared to the recession. Overall, it appears that there are several measures that show improvement, but the relatively stagnant employment and income indices hint that attracting new businesses to the area and requiring highly skilled and highly paid work is a priority for the region.

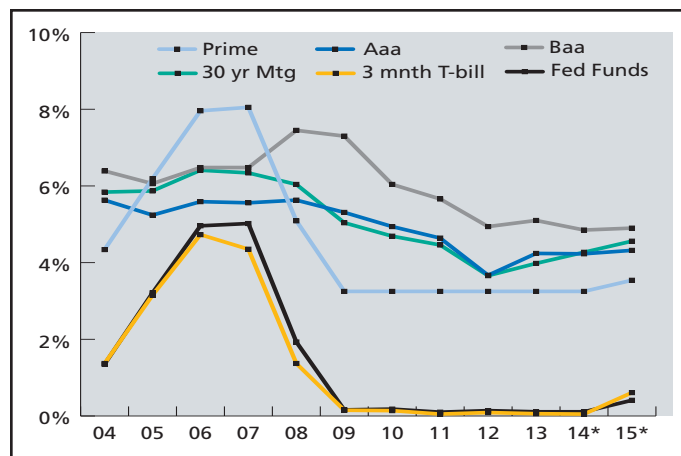
A relatively flat BCI of 112 for the rest of 2014 with a slight decline to 111 for 2015 is forecast using a time-series procedure to model the auto-regressive and moving average nature of the monthly data through December of 2015. If there is any significant shock to the local economy, such as a large military base closure or the exit of large, private firms, several of the BCI components could see decline bringing the composite BCI below the projected levels. The same is true in the inverse. If there is any significant expansion in the economy, such as significant new businesses or expansion of existing businesses without losses to offset the new ventures or business expansions, many of the BCI components would improve in the projected time period. This would be the favorable scenario and would increase the BCI as a whole.

National and State Indicators

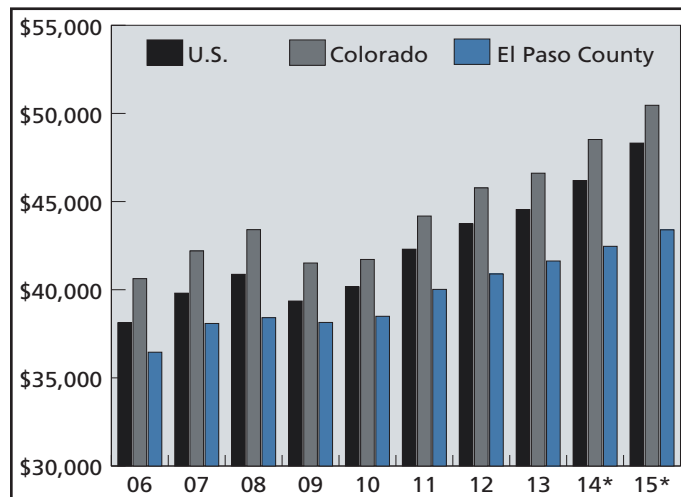
Growth in Real Gross Domestic Product (GDP), Gross State Product (GSP) and Gross Metropolitan Product (GMP)



Key Interest Rates



Per Capita Personal Income



* Office of State Planning and Budgeting and SCEF forecasts. Key Interest Rates were Wells Fargo forecasts. GMP and per capita income forecasts for El Paso County in 2013 were estimated by the Forum. Sources: Bureau of Economic Analysis, Colorado Economic Perspective; Office of State Planning and Budgeting.

WHY ARE THESE IMPORTANT?

Gross domestic product (GDP) is one of the primary indicators used to gauge the health of the nation's economy. GDP is the monetary value of all finished goods and services produced within a country's border in a specific time period, usually a year. The Bureau of Economic Analysis also measures gross state product (GSP) and gross metropolitan product (GMP) which are state and local equivalent measures of GDP.

Interest rates are the cost of financing and the reward on investments. Low interest rates encourage borrowing and discourage investment. A notable exception to this is a low interest rate that encourages the investment of buying a home.

Per capita personal income is measured by taking the total income in a region or country and dividing by the total population. Amounts are calculated before taxes and are not adjusted for inflation. Per capita personal income reflects individual wealth creation and is a good indicator of the area's wealth.

HOW ARE WE DOING?

Based on the real GDP series from the Federal Reserve Bank of St. Louis, growth in real GDP was 2.2 percent in 2013 versus a 2.3 percent increase in 2012. The latest GDP estimates indicate the economy will grow 2.4 percent in 2014. Preliminary projections for 2015 suggest real GDP will grow by 2.9 percent.

Colorado's real GSP grew by 3.8 percent in 2013. The Forum expects GSP to grow by 4.4 percent in 2014 and 4.5 percent in 2015. Colorado's economy is strong.

The gross metropolitan product for 2013 is estimated to be about 2.1 percent (final numbers have not been released). It is expected to increase by 2.2 percent in 2014 and 2.8 percent in 2015. One of the major goals for economic development in the Southern Colorado region is to attain GMP growth rates more comparable with the rest of the state.

The prime interest rate continued to be at historical lows during 2013. This rate, which is the interest rate used by banks, has stayed at 3.25 percent since 2009, and has been kept low to help stimulate the economy. Low interest rates make it easier for consumers to borrow money to make purchases. Similarly, the federal funds rate, the rate the Federal Reserve charges banks for overnight loans, has been close to zero since 2009. This rate has been kept low to encourage private banks to lend money (also with the end goal of stimulating the economy). With the recent improvements in GDP and unemployment, it is likely that the Fed will increase rates sometime during 2015, most likely during the 3rd or 4th quarter. This may have an impact on housing since there may be a push for individuals to finance a new home before interest rates increase. By the end of 2015, Wells Fargo projects that the prime rate will increase to 3.54 percent and the Fed Funds rate will increase to 0.41 percent.

Per capita income growth continued its upward trend in the U.S., up 2.1 percent to \$44,543 in 2013. Colorado's per capita income rose to \$46,610 (up 1.8%). Per capita income gains for the U.S. are projected to grow by 3.7 percent in 2014 (to \$46,191) and 4.6 percent (to \$48,316) in 2015. Colorado's per capita income is expected to grow 4.1 percent in 2014 (to \$48,521) and by 4.0 percent in 2015 (to \$50,462).

Estimated local per capita personal income grew 1.8 percent to \$41,629 in 2013. The Forum expects growth will continue at a slightly faster pace through 2015. Per capita income growth is projected to grow 2.0 percent in 2014 (to \$42,462) and 2.2 percent (to \$43,396) in 2015.

Sentiment, Savings, and PMI

WHY IS THIS IMPORTANT?

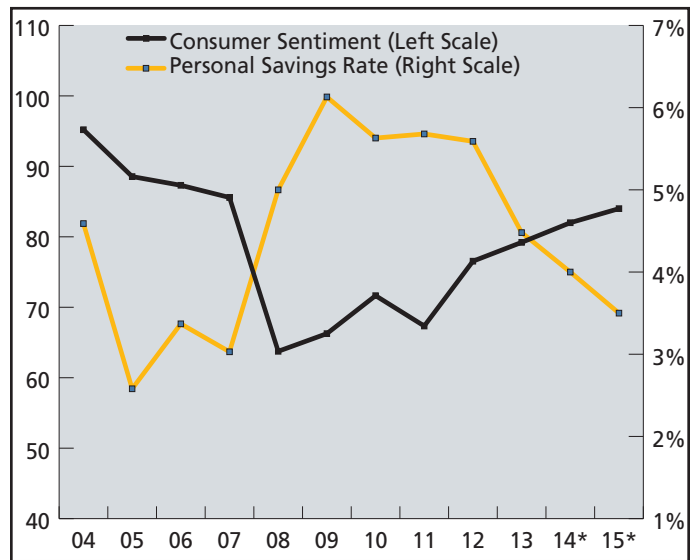
Approximately two-thirds of the American economy is driven by consumer spending. Consumer sentiment is highly correlated to how much individuals are willing to spend. Hence, an understanding of consumer confidence in the economy and expected spending patterns over the next twelve months are essential to effective planning for most businesses. Consumer sentiment measures confidence using 1996-97 as the base year (1996-97=100). The personal savings rate measures the percent of income put into savings and it is inversely correlated with consumer sentiment. Higher savings rates often indicate that individuals are not as confident about spending any extra money they have, but those saved dollars do create consumption capacity for the future.

HOW ARE WE DOING?

As would be expected, consumer sentiment and confidence had a precipitous fall in the time leading up to and during the recession hitting a bottom value of 63.75 in 2008. After this low point, national sentiment slowly recovered, although not as quickly as it has in other “recovery” periods. As of June 2014, consumer sentiment is at 82.5, which is not as high as it was in the early 2000’s, but it is, and will likely continue to be, on an upward trend. Again, recent increases in GDP support this trend since greater economic activity as a whole indicates that individuals are more confident about spending, and therefore, businesses are more confident about expanding their operations.

After the lengthy recessionary period, there was pent up demand for cars, homes, durable goods, and general retail. This boosted consumption levels (as individuals started to feel more confident about the economy) and that brought down the savings rate to a low of 4.48 percent for 2013. Given the more favorable, national economic indicators, it is likely that this trend

Consumer Sentiment and Personal Savings Rate Baseline index =100 (1996-97)



* SCEF forecast

Sources: University of Michigan (Tatiana Bailey’s alma mater); Federal Reserve Bank of St. Louis

of higher consumer sentiment and lower savings rates will continue into the remainder of 2014 and into 2015 as seen in the graph. The Forum projects consumer sentiment for 2015 will rise to approximately 84.0 and the personal savings rate will decline to 3.5 percent.

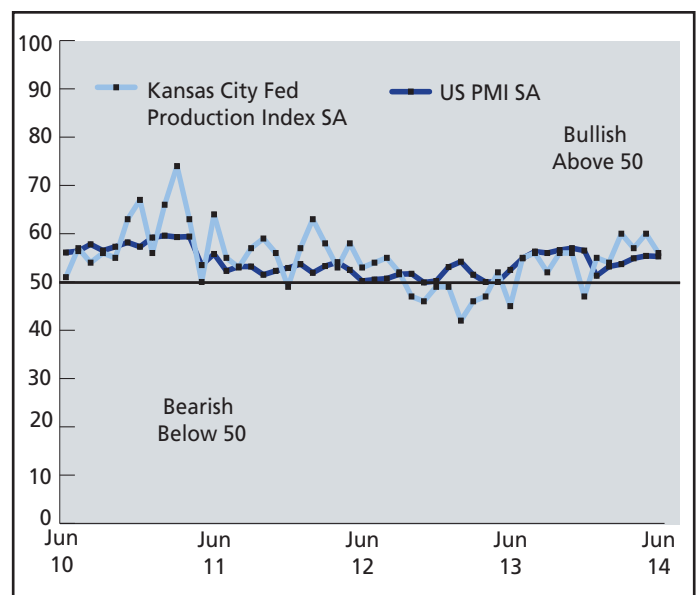
WHY IS THIS IMPORTANT?

The Purchasing Managers Index (PMI) is a leading economic indicator measuring the relative health of the manufacturing sector. The PMI index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment. A PMI of more than 50 represents expansion of the manufacturing sector, compared to the previous month. A reading under 50 represents a contraction, while a reading at 50 indicates no change.

HOW ARE WE DOING?

The Kansas City Federal Reserve region and the U.S. as a whole experienced declines in the PMI beginning in the spring of 2011. However, since early 2013, the manufacturing sector is generally improving month to month for both the Kansas City Federal Reserve states and the U.S. as a whole. As of June 2014, the PMI for the seven states that comprise the Kansas City Federal Reserve region was 56.0 and for the nation it was 55.30. As stated above, any value for the index above 50 means the manufacturing sector expanded compared to the previous month; or in other terms, the index is “bullish” at values above 50. The recent performance of these indicators means the manufacturing sector is doing quite well, which is in keeping with the more recent sentiment that manufacturing is experiencing a resurgence across the country. The mid-2014 GDP increase also supports the notion of increased economic activity. The Forum is hopeful that this trend will continue for the remainder of the year. The health of the manufacturing sector

Purchasing Managers Index

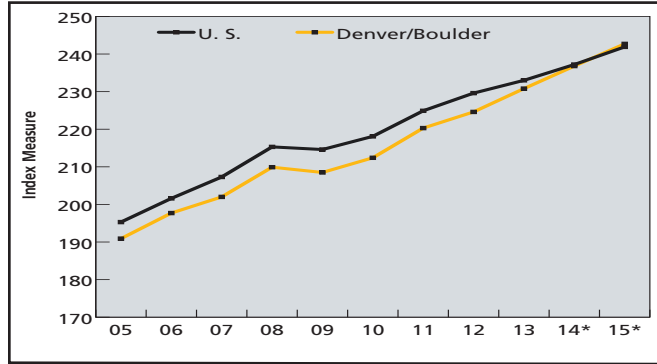


Sources: Institute of Supply Management; Federal Reserve Bank of Kansas City

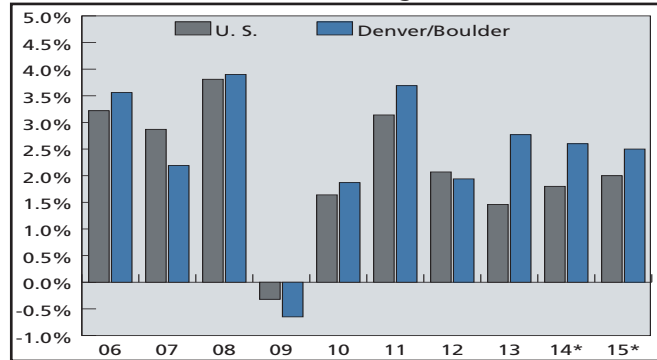
is heavily influenced by global economic activity and that has many influencing factors so projections beyond 2014 would be highly speculative.

CPI and Population

The Denver/Boulder/Greeley and U.S. Consumer Price Indices (CPI) for all Urban Consumers (1984=100)



The Denver/Boulder/Greeley and U.S. Consumer Price Indices (CPI) Percent Change



* SCEF forecast

Source: U.S. Department of Labor, Bureau of Statistics

WHY IS THIS IMPORTANT?

The consumer price index (CPI) measures the average price change (inflation) for a basket of goods and services selected by the U.S. Department of Labor, Bureau of Labor Statistics. The CPI measures the period-to-period loss of purchasing power of a dollar caused by rising prices. The CPI is often used to compute real wages, income and wealth to determine whether consumer purchasing power and household wealth are increasing, decreasing, or remaining constant in "real" terms.

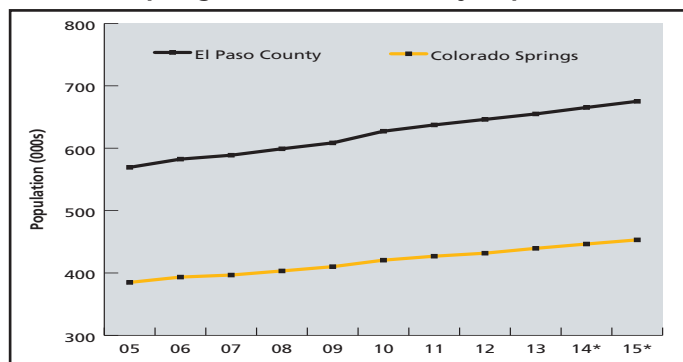
HOW ARE WE DOING?

The Denver/Boulder/Greeley CPI rose 2.8 percent in 2013 after increasing 1.9 percent in 2012. The Colorado Office of State Planning and Budgeting expects inflation will be 2.6 percent in 2014 and 2.5 percent in 2015 for the Denver/Boulder/Greeley CPI.

The U.S. urban CPI rose 1.5 percent in 2013 after increasing 2.1 percent in 2012. The Federal Reserve Bank of Philadelphia expects inflation will be 1.8 percent in 2014 and 2.0 percent in 2015 in the U.S.

The Fed prefers a CPI around 2 percent. Although lower prices are desirable, prices that rise too slowly or even fall can have negative effects on the economy if consumers and businesses delay their consumption and investment (thinking prices will fall further) and by making loans more expensive to service (banks receive fewer dollars on fixed rate loans when low inflation expectations are built into loans they make today). Given that the consumer price indices for 2014 and 2015 for the U.S. and the Denver/Boulder/Greeley region are in that desirable range, inflation does not appear to be a problem for the foreseeable future.

Colorado Springs and El Paso County Population (000s)



WHY ARE THESE IMPORTANT?

Population growth is important because it influences the labor market and the health of the economy in general. Understanding population trends helps government officials, businesses and others plan for the future. Population estimates are used for planning and evaluation, state revenue sharing, and distribution of funds by public and private agencies.

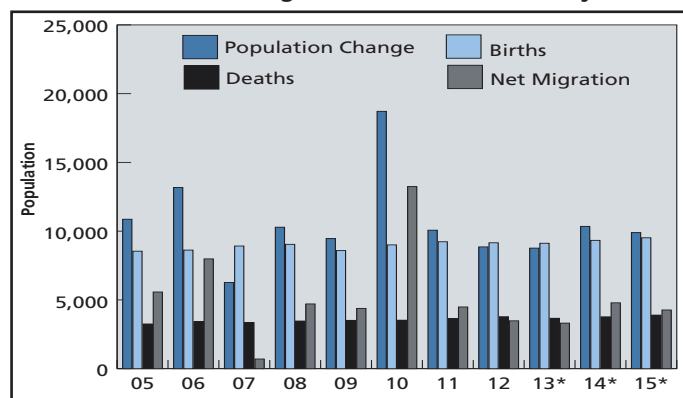
Population growth comes from natural increase (births minus deaths) and from net in-migration (or out-migration). The sum of these components is the change in population. Identifying trends in these indicators helps project future changes in the county's population, the workforce, and the proportion of the population that is dependent on the workforce, such as children and the non-working elderly. Knowing these trends helps us understand all of these groups' respective impact on the economy.

HOW ARE WE DOING?

There was a slowdown in the rate of population growth in El Paso County if you compare the 1990s to the 2000s. El Paso County's population grew at an average annual rate of 3.2 percent from 1990 to 2000, whereas it grew only 1.9 percent from 2000 to 2010 according to the census counts. The Colorado Division of Local Affairs estimates El Paso County's population at 675,170 by 2015, an increase of 3.1 percent (or 20,240 people) from 2013 to 2015.

The natural increase in the population was 5,455 in 2013 and net in-migration was 3,312. Both of these numbers are relatively steady over the previous year. Projections from the Colorado Division of Local Affairs have births increasing modestly, but have large, projected increases in net in-migration. This forecasted increase is probably a reflection of the in-migration occurring in Colorado as a whole. If Southern Colorado can create an environment that is conducive to new business operations, it is plausible that much of the growth seen in the rest of the state could also occur in this region (all else held equal).

Births, Deaths and Migration in El Paso County



* Colorado Department of Local Affairs estimates

Sources: Colorado Department of Local Affairs; Colorado Department of Health and Environment

Unemployment and Employment

WHY ARE THESE IMPORTANT?

The number and types of jobs available and filled in a community is perhaps the most important indicator of economic health and sustainability in a given community. While the presence of large, profitable companies in a community is a positive thing, approximately 2/3 of U.S. residents are employed by small companies (defined as 50 employees or less). This means that entrepreneurial, start-up companies are also central to regional economic prosperity. Likewise, a healthy number of small companies usually means economic diversity, which is also of paramount importance since it is risky for a region to be too dependent on one or a few employers (e.g. the military).

The unemployment rate represents the percentage of people who are looking for work who do not have jobs. There will always be some unemployment due to seasonal factors, workers between jobs, recent graduates looking for work and other factors. The optimum scenario that government, businesses and households hope for is one where unemployment for individuals is temporary, there are enough jobs for job-seeking individuals, and there are enough skilled workers for businesses to fulfill their production needs. Comparisons in the unemployment rate provide information about how well Southern Colorado is doing with respect to job and workforce availability.

HOW ARE WE DOING?

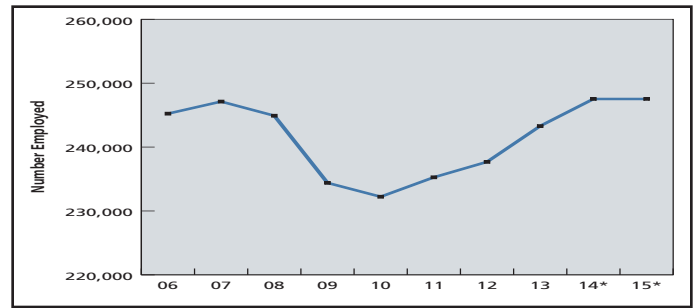
Although employment levels in the U.S. and in Colorado have been rebounding nicely in 2014, the trend is not as positive in El Paso County. Total QCEW employment in the county just prior to the recession in 2007 was 247,123 and as of 2013 total employment was lower at 243,299. At the same time, the population grew 66,160. Previous estimates from the Forum suggest that the area needs approximately 6,000 jobs a year for five years in order to bring the current work force back to a natural rate of unemployment.

If we look at the non-seasonally adjusted unemployment rate in 2006, we see that the U.S. and El Paso County had similar rates. In fact, leading up to the peak of the recession in 2010, these two rates were quite close. However, as the national unemployment rate slowly began to improve after the recession, the gap in the unemployment rate between the U.S. and El Paso County has grown. Although the unemployment rates are all well above any economist's estimate of a "natural" unemployment rate, the trend is at least moving in the right direction. The U.S. unemployment rate for 2012 was 8.1 percent and fell to 7.4 percent in 2013. Colorado's unemployment rate fell from 7.85 percent in 2012 to 6.8 percent in 2013. For El Paso County, the rate moved from 9.2 percent in 2012 to 8.0 percent in 2013.

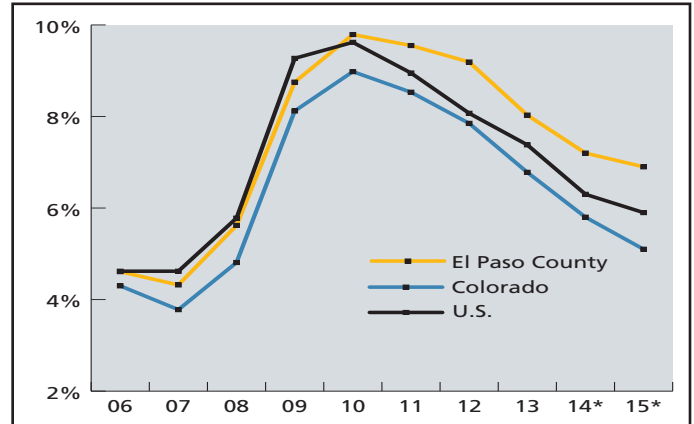
A more recent examination of the data shows Colorado outperforming the nation with a 5.4 percent unemployment rate in June of 2014, a 6.3 percent rate for the U.S. and a 6.7 percent rate for El Paso County. The Colorado Office of Planning and Budgeting projects the state non-seasonally adjusted unemployment rate will end up at 5.8 percent in 2014 and 5.1 percent in 2015, indicating a continued, robust growth in the overall state economy. The Forum projects El Paso County unemployment will average 7.2 percent in 2014 and 6.9 percent in 2015. The key for Southern Colorado will be to capitalize on the economic successes of the state by studying and replicating some of the success factors and translating them to our region.

The Colorado Department of Labor reported 16 of the 21 NAICS sectors in El Paso County saw job growth in 2013. Significant job gains took place in professional and technical skills (1,649 jobs), accommodations (1,173), retail trade (813), health care and social assistance (806), construction (795), finance and insurance (592), education services (468), administrative and

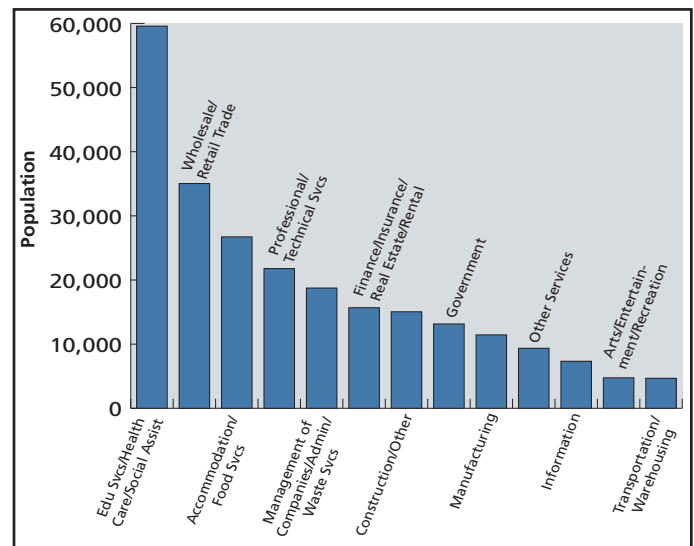
Total QCEW Employment in El Paso County



The Unemployment Rate in El Paso County, Colorado and the U.S.



2013 Employment in El Paso County by North American Industrial Classification (NAICS)



* Estimate
Sources: U.S. Department of Labor; Colorado Department of Labor and Employment

waste services (415), and a few other sectors. Job losses took place in manufacturing (-1,377 jobs), information (-345), transportation and warehousing (-137), utilities (-110) and mining (-34). The job losses in manufacturing continue to be troubling.

Thirteen sectors saw increases in their average wage. Notable increases took place in management of companies & enterprises (6.5%), mining (5.6%), professional & technical services (5.3%) and real estate (4.4%). Notable decreases took place in manufacturing (-7.0%) and administrative and waste services (-5.5%). The previous upward spike associated with Kinder Morgan's expanded operations was adjusted downward this year, which helps explain the relative decline in utilities wages (-26.8%).

Employment and Wages

El Paso County Average Annual Employment and Wages by Industry Classification in 2012 and 2013							
Industry Code ¹		2012			2013		
		Employment	Percent of Total Employment	Average Annual Wage	Employment	Percent of Total Employment	Average Annual Wage
11	Agriculture, Forestry, Fishing & Hunting	200	0.08	\$24,336	209	0.09	\$23,504
21	Mining	183	0.08	\$80,912	149	0.06	\$85,436
22	Utilities ²	2,592	1.09	\$103,584	2,482	1.02	\$75,816
23	Construction	11,415	4.80	\$45,864	12,211	5.02	\$46,696
31-33	Manufacturing	12,824	5.40	\$61,880	11,447	4.70	\$57,564
42	Wholesale Trade	4,746	2.00	\$58,968	4,924	2.02	\$59,852
44-45	Retail Trade	29,296	12.33	\$27,196	30,109	12.38	\$27,508
48-49	Transportation & Warehousing	4,814	2.03	\$44,720	4,677	1.92	\$44,200
51	Information	7,678	3.23	\$70,460	7,333	3.01	\$71,136
52	Finance & Insurance	11,026	4.64	\$56,680	11,618	4.78	\$57,200
53	Real Estate, Rental & Leasing	3,992	1.68	\$35,152	4,062	1.67	\$36,712
54	Professional & Technical Services	20,122	8.47	\$78,208	21,771	8.95	\$82,316
55	Management of Companies & Enterprises	1,068	0.45	\$91,364	1,142	0.47	\$97,292
56	Administrative and Waste Services	17,190	7.23	\$36,608	17,605	7.24	\$34,580
61	Educational Services	25,595	10.77	\$36,348	26,063	10.71	\$36,296
62	Health Care & Social Assistance	32,706	13.76	\$44,980	33,512	13.77	\$46,124
71	Arts, Entertainment & Recreation	4,599	1.93	\$19,396	4,754	1.95	\$19,656
72	Accommodation & Food Services	25,552	10.75	\$16,952	26,725	10.98	\$16,952
81	Other Services	9,068	3.82	\$37,388	9,330	3.83	\$38,012
99	Non-Classifiable	24	0.01	\$54,912	26	0.01	\$50,960
	Total Non-Government	224,690	94.53	\$43,478	230,149	94.60	\$43,472
92	Government	12,993	5.47	\$63,700	13,150	5.40	\$62,400
	Total All Industries	237,683	100.00	\$44,564	243,299	100.00	\$44,512

Source: Colorado Department of Labor QCEW

¹Industry Codes are collapsed two digit NAICS Codes

²Does not include Colorado Springs Utilities

HOW ARE WE DOING?

Across all sectors, average wages increased in Colorado by 0.6 percent in 2013, which seems modest for a high growth economy; however, there was a larger increase in 2012 of 3.0 percent. Actual average wages went from \$50,544 in 2012 to \$50,856 in

2013. In El Paso County, wages went from \$44,564 in 2012 to \$44,512 in 2013 translating to a 0.1 percent decline in wages. It is important to note that the average wage in El Paso County in 2013 was 12.5 percent lower than it was in Colorado as a whole.

Key Employers

WHY ARE THESE IMPORTANT?

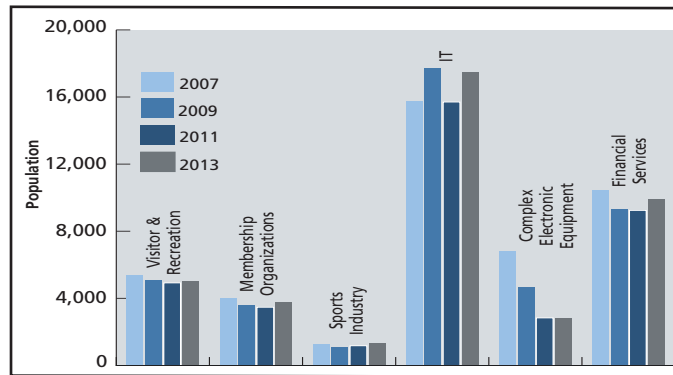
The Regional Business Alliance has identified key cluster industries as targets for economic development in our region. The clusters represent grouped industries that complement each other and generate income and wealth for the community. Employment, growth and wages derived from these industries help to support induced sectors of the economy such as services, retail and construction through the “multiplier effect.”

A primary employer/cluster industry is key to the economic multiplier process. A primary employer generates at least half of its revenues from customers outside the local economy. The multiplier shows the impact this employment has on the broader community. For example, employed individuals consume at a higher rate at retail stores, restaurants and other establishments not associated directly with their employer. In turn, this increased activity positively impacts other businesses.

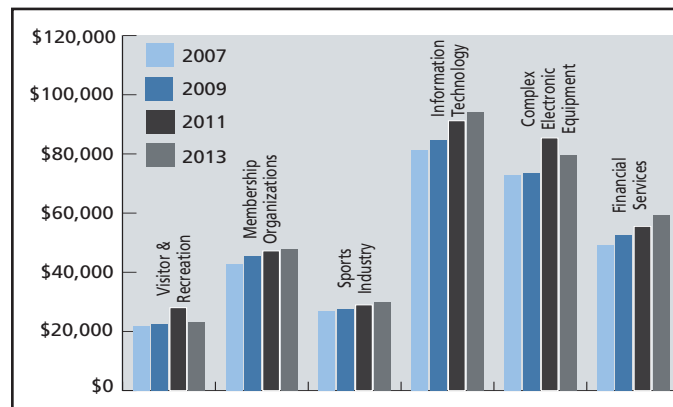
HOW ARE WE DOING?

Average wages among all sectors grew by \$4,149 (or 6.3%) from 2012 to 2013. The sports industry cluster had a modest increase at a 2.3 percent increase to an average wage \$29,935. The information technology cluster had a 2.0 percent increase in wages up to \$94,227. This cluster represents the highest paid cluster. Complex electronic equipment had a 1.6 percent increase to a 2013 average salary of \$79,590 followed by membership organizations with a 1.6 percent increase at \$47,946. Financial services had a modest 0.6 percent increase to an average wage of \$59,165. Visitor and recreation jobs had wages that stayed nearly identical at \$23,302, representing the lowest paid cluster.

Number of Employees in Cluster Industries in El Paso County



Average Wages of Employees in Cluster Industries in El Paso County



Sources: State of Colorado Department of Local Affairs; State of Colorado Department of Labor and Employment

WHY ARE THESE IMPORTANT?

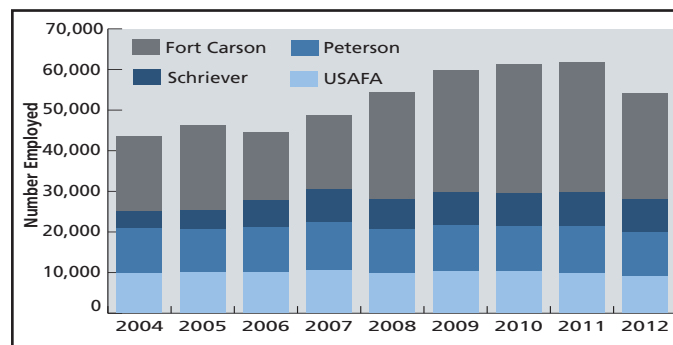
The military has been a part of the local economy since World War II. Approximately 50,000 military and civilian workers are employed by this sector at either the United States Air Force Academy, Peterson, Schriever or Fort Carson.

HOW ARE WE DOING?

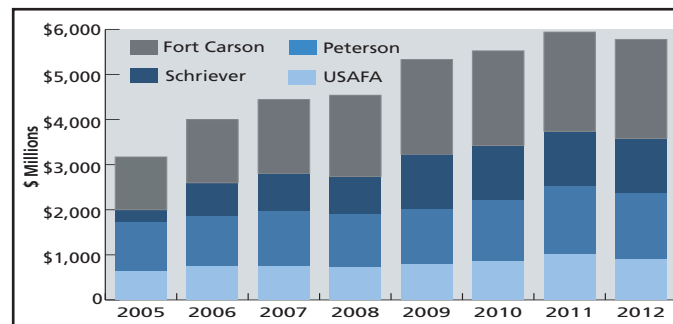
As mentioned in the executive summary, it has become increasingly difficult to obtain economic impact and employment information from the Academy and the three bases. For this reason, the provided graphics with trend data is shown only through 2012. As of the time of this publication, updated information for 2013 on economic impact was available for the three bases. Peterson had a reduction in economic impact from \$1.42 billion in 2012 to \$1.34 billion in 2013. Schriever also had a reduction from \$1.2 billion to \$908 million, as did Fort Carson from \$2.3 billion to \$2.17 billion. For the three bases, this averages to a 10.3% reduction.

Updated employment information was available for two bases. Total military and civilian employment decreased at Peterson from 10,606 workers in 2012 to 10,268 in 2013. At Schriever, employment decreased from 8,200 in 2012 to 7,647 in 2013. For these two bases, this represents a 4.7 percent reduction in employment.

Military Employment in El Paso County

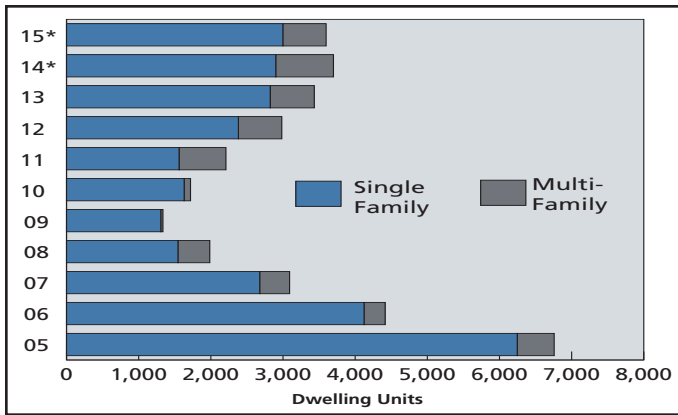


Military Expenditures in El Paso County (\$ millions)



Sources: The Colorado Springs Regional Business Alliance and respective military installations

Residential Building Permits (Dwelling Units)



WHY ARE THESE IMPORTANT?

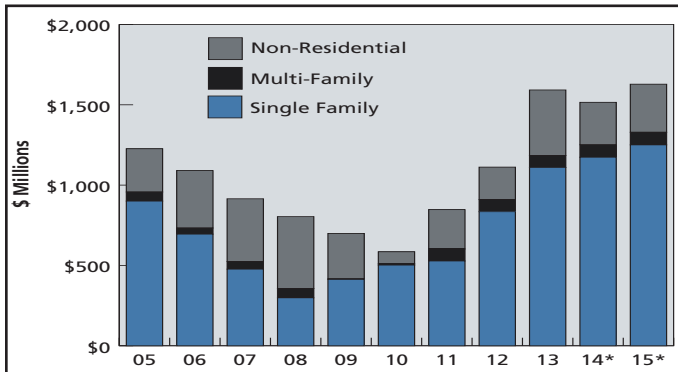
Residential building permits reflect the general demand for housing, and also the type of housing that local residents prefer. If there is natural population growth and in-migration, there will be demand for new homes; and if consumer preferences lean towards new construction, the demand may be greater. El Paso County continues to have positive population growth with an annual rate of increase in 2013 of 1.4 percent. Given this continued growth, it is likely that demand for residential building permits will continue especially if mortgage rates stay within reach during and after 2015 as the Fed retracts some of its quantitative easing.

HOW ARE WE DOING?

Residential building strengthened from 2012 to 2013. There were 2,823 single family permits during 2013, which is a significant increase (18.5%) from the 2,382 permits in 2012. Some of this is probably attributable to the pent up demand that routinely occurs during a recessionary period. Another likely factor is the historically low interest rates. The Forum expects that this level of activity will level off during the next few months of 2014 and during the coming year, 2015. Previous estimates from the Forum have suggested that for the population size of Colorado Springs, roughly 3,000 to 3,300 building permits per year is a healthy equilibrium. This is important because housing “bubbles” have proven to be problematic for many communities.

After nearly nonexistent multi-family home building in 2009 and 2010, permits for this type of housing are rebounding nicely. In 2010, there were only 88 permits issued in Colorado Springs. In 2013, there were 610 permits issued, and the Forum expects this type of housing demand to continue to increase. For 2014, the Forum estimates that there will be approximately 800 new permits issued for multi-family units and that in 2015 this demand will level off, and approximately 600 permits will be issued.

Value of Construction (\$ millions)



* SCEF forecast
Source: Pikes Peak Regional Building

WHY ARE THESE IMPORTANT?

Home sales are an indicator of vitality in the local real estate market. An unusual drop in annual home sales could indicate a problem in one or more economic sectors.

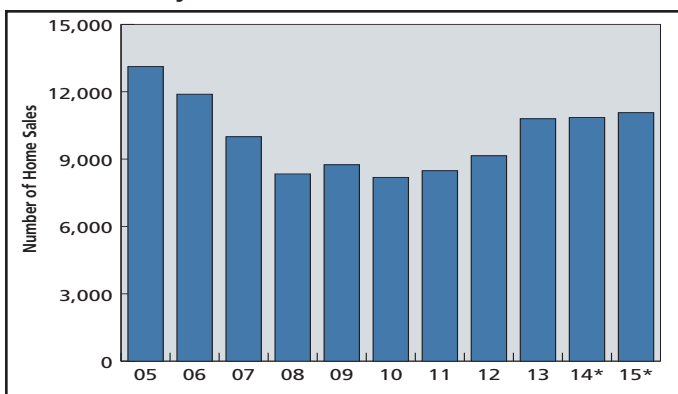
Home values are one of the indicators of the wealth of the community. Home owners want to see an increase in the value of one of the largest assets in an individual's portfolio. Home valuation forms the basis of local residential property taxes. Property taxes, in turn, are used to support public schools in the area.

HOW ARE WE DOING?

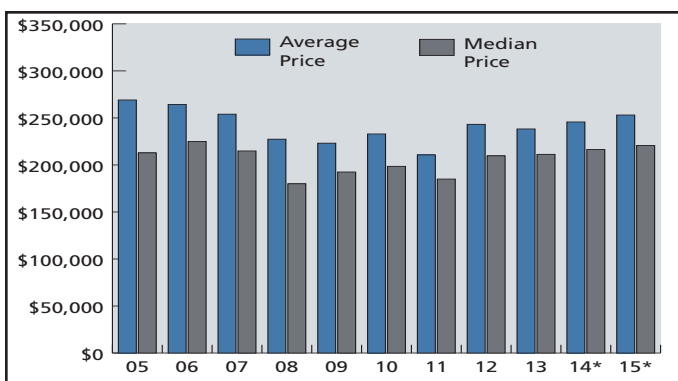
Housing sales peaked in 2005 at 13,118 before declining and leveling off in 2008. Sales were 10,795 in 2013, up 18.0 percent (1,648 more sales over 2012). Estimates are highly dependent upon general economic trends, mortgage rate increases in 2015, possible troop reductions at the local military bases and another round of sequestration. The Forum forecasts home sales will increase 0.5 percent in 2014 to 10,849 and another 2.0 percent in 2015 to 11,066.

Current market conditions point to an average home sales price increase to \$245,715 in 2014, up 3.1 percent from \$238,273 in 2013. The average price is expected to be \$253,086 in 2015. Similar gains are expected for the median price. A median price of \$216,393 is expected in 2014 compared to \$211,250 in 2013. Median prices are expected to be \$220,721 in 2015. The recovery in housing sales and prices reflects lower mortgage rates, an increase in population, a decline in available housing for sale and some pent up demand for housing.

El Paso County Home Sales



Mean and Median Prices of Homes Sold



* SCEF forecast
Source: Pikes Peak Association of Realtors

Foreclosures and Utilities

WHY IS THIS IMPORTANT?

The downside of the housing market is when a foreclosure occurs. Foreclosures are normally used by economists as a lagging indicator, since they tend to peak just about the time an economic recovery occurs.

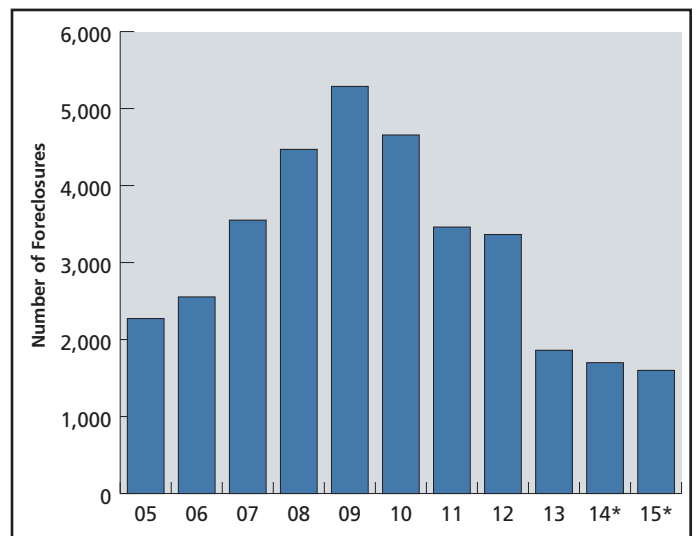
HOW ARE WE DOING?

There were 1,861 foreclosures in 2013, a decrease of 44.7 percent from 2012 when there were 3,364 foreclosures. Through August 2014, there were 1,267 foreclosures, an 8.8 percent decline compared to the same period in 2013. At the current rate, the Forum anticipates there will be 1,700 foreclosures in 2014 and 1,600 in 2015.

Most of the bad mortgages in the county have been worked through the mortgage industry. The number of foreclosures appear to be returning to normal. Remaining foreclosures depend on housing values, employment and income levels of homeowners holding a mortgage. Interest rates remain low making housing and a mortgage more affordable. Qualifying for a new mortgage is more stringent as a result of reforms in Dodd-Frank. Lenders appear cautious. Price appreciation in homes will raise equity value for homeowners which decreases the number of upside down mortgages.

Sequestration will continue to put pressure on the Department of Defense budget. Another round of BRAC (Base Realignment and Closure) may hit in 2017 which could affect foreclosures in the county depending on how hard Fort Carson, the other bases and/or the Air Force Academy are affected.

Foreclosures in El Paso County



* SCEF forecast
Source: El Paso County Public Trustee

WHY IS THIS IMPORTANT?

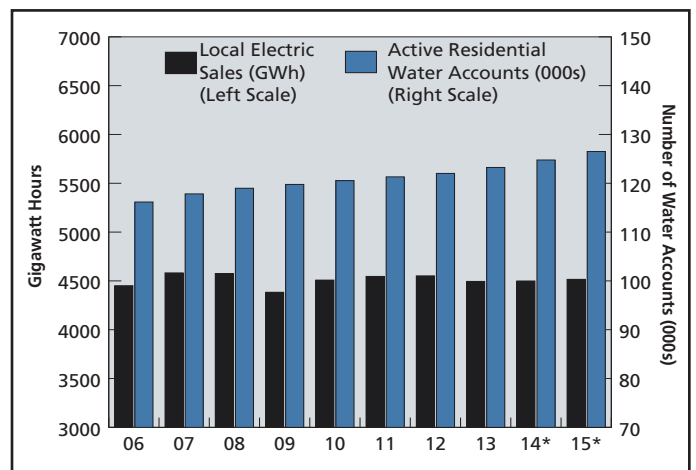
Local electric sales and residential water accounts are good indicators of growth and economic activity. Active residential water accounts correlate with residential construction and housing market activity. Changes in electric sales-on-system capture both residential and commercial activity.

HOW ARE WE DOING?

Electric sales grew at an average annual rate of 4.2 percent from 1993 through 2000. Growth slowed materially during the first half of the 2000s with relatively stable levels of gigawatt hours. Gigawatt sales declined slightly from 2012 (4,552 gigawatt hours) to 2013 (4,495 gigawatt hours). However, the number of water accounts increased during this same period from 122,015 to 123,245. The drop in electric demand is likely explained by the increased efficiency of new and existing homes, commercial properties and industrial demand.

Colorado Springs Utilities projects local electric sales will stay relatively flat in 2014 and 2015 with nearly identical gigawatt hours. At the same time, the number of active water accounts is projected to increase by 1,736 or 1.4 percent from 2014 to 2015. New accounts are due primarily to new homes and population growth. The relatively flat electric sales are attributable to increased efficiency and solar production in homes and businesses.

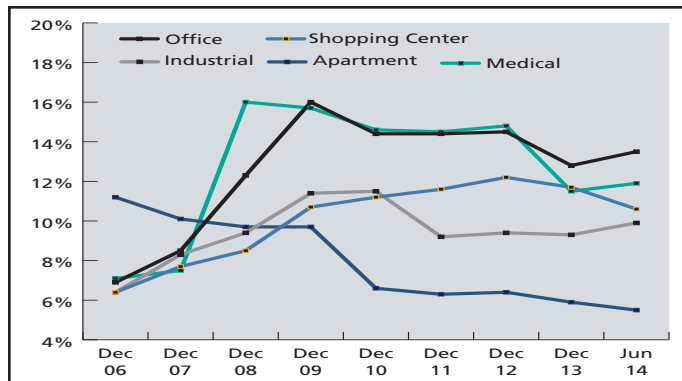
Total Local Electric Sales on System (GWh) Active Residential Water Accounts (000s)



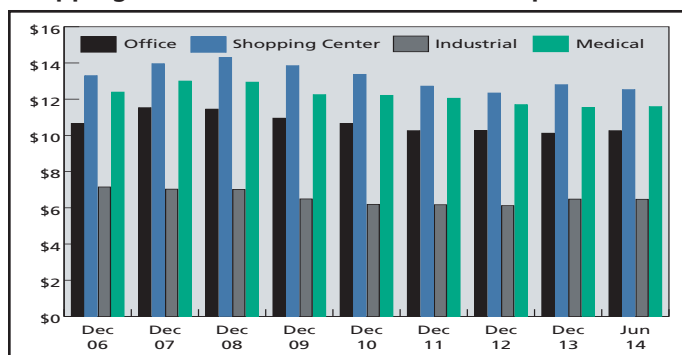
*City Utilities forecast
Source: Colorado Springs Utilities

Commercial Property and Retail

Average Vacancy Rates for Apartment, Office, Shopping Center, Industrial, and Medical Spaces



Average Asking Rents For Office, Shopping Center, Industrial and Medical Spaces



Sources: Turner Commercial Research: Commercial Availability Report; Colorado Department of Local Affairs, Division of Housing

WHY ARE THESE IMPORTANT?

Vacancy rates are a key indicator of economic activity. Declining vacancy rates put upward pressure on lease rates. Low vacancy rates reduce location choices for businesses. The availability of adequate and affordable commercial space allows existing companies to expand and helps attract new companies to the area.

HOW ARE WE DOING?

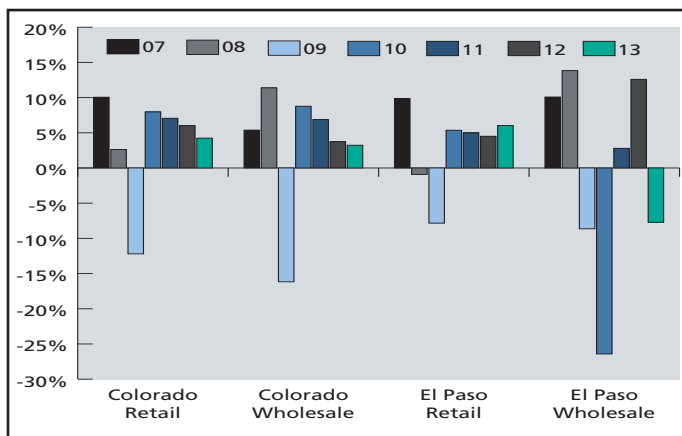
Vacancy rates were down in 2013 from their 2012 level. These rates dropped most notably in office space (from 14.5% in 2012 to 12.8% in 2013) and medical space (from 14.8% in 2012 to 11.5% in 2013). When examining mid-2014 vacancy rates, this trend was reversing in all but shopping center space which continued to drop to 10.6 percent, a level lower than it has been since 2008.

In 2013, average asking rents for shopping center and industrial spaces were up from their 2012 levels, although by mid-2014 they were again lower as seen in the table below. The opposite is true of office and medical space which were down slightly in 2013 from their 2012 asking rents but are now slightly higher as of June 2014 and have nearly reached 2012 levels.

A snapshot of December 2013 and June 2014 vacancies and rents is shown below.

Vacancy Rates and Rents (per Sq. Ft. NNN)		
Property Type	December 2013	June 2014
Office	12.8% (\$10.12)	13.5% (\$10.26)
Industrial	9.3% (\$6.48)	9.9% (\$6.47)
Shopping Center	11.7% (\$12.80)	10.6% (\$12.53)
Medical	11.5% (\$11.54)	11.9% (\$11.59)
Apartments	5.9% (\$806.22)	5.5% (\$861.04)

Growth in Retail and Wholesale Sales in Colorado and El Paso County



Source: Colorado Department of Revenue, Office of Tax Analysis

WHY IS THIS IMPORTANT?

Consumer spending is estimated to generate two-thirds of the total economic activity. Thus, growth in retail and wholesale sales are an important indicator of the strength of the local economy.

HOW ARE WE DOING?

Retail sales in El Paso County increased 6.0 percent from 2012 (\$14.5 billion) to 2013 (\$15.4 billion). Colorado retail sales were up 4.2 percent in 2012 (\$164 billion) to 2013 (\$171 billion).

El Paso County wholesale sales, which tend to be more volatile than retail sales, decreased 7.7 percent to \$3.7 billion in 2013 versus a 12.6 percent increase in 2012. An increase in 2011 and in 2012 followed two consecutive declines in annual wholesale sales. Colorado wholesale sales increased 4.0 percent in 2013. Wholesale trade volumes in a given community are highly correlated to the strength of the manufacturing sector. An increase in manufacturing presence in El Paso County would increase and strengthen wholesale sales and trade.

Retail Trade and Sales Tax

WHY ARE THESE IMPORTANT?

Colorado Springs is a major retail trade hub in Southern Colorado. Sales in the retail trade sectors provide information about consumer confidence and purchasing. Typically, retail trade is a good indicator of the economic climate in the region.

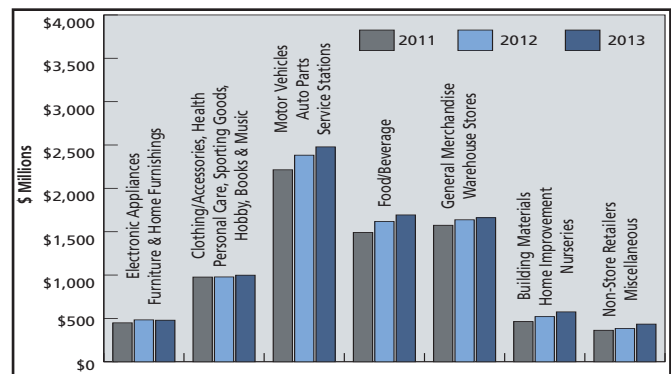
HOW ARE WE DOING?

Retail trade in 2013 was \$8.3 billion or 54.0 percent of the total retail sales in the county. Retail trade increased by 4.0 percent in 2013. The largest portion of retail trade went to motor vehicles in 2013 (29.8%). All retail trade categories increased in 2013 except for electronics (-0.8%). Retail trade increased in clothing (2.0%), motor vehicles (4.0%), food/beverage (4.7%), general merchandise (1.5%), building materials (10.5%), and non-store retailers (13.4%).

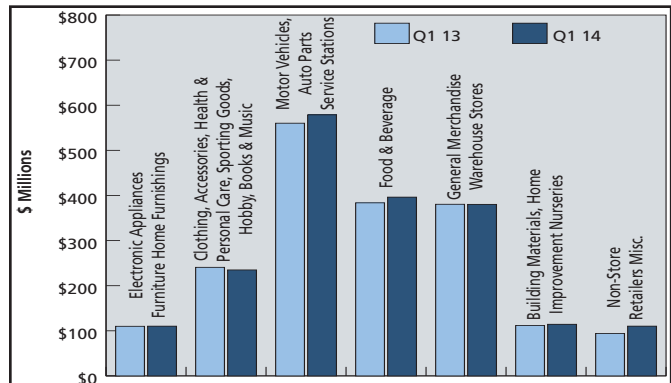
Retail trade had peaked in 2007 before declining through the recession. Retail trade recovered and is now 16.4 percent higher than the previous peak. Since the 2007 peak, retail trade is up in clothing (17.2%), motor vehicles (16.5%), food (42.5%) and general merchandise (18.5%). Sectors that have yet to recover fully are electronics (-5.8%), building materials (-1.3%) and non-store retailers (-10.3%).

Retail trade patterns for the first quarter of 2014 were better than the first quarter of 2013 except for clothing (-2.4%) and general merchandise (-0.1%). Given that most categories saw increases in 2014 over 2013, the Forum expects that retail trade will continue this positive trend through the rest of 2014 and into 2015.

El Paso County Retail Trade (\$ millions)



El Paso County Retail Trade First Quarter 2013/2014



Source: Colorado Department of Revenue

WHY ARE THESE IMPORTANT?

City sales and use tax revenues are used for municipal operations by the City of Colorado Springs for such purposes as law enforcement, fire protection, street repair and park maintenance. It is critical that these revenues increase along with community growth and needs in order for the city to provide necessary services.

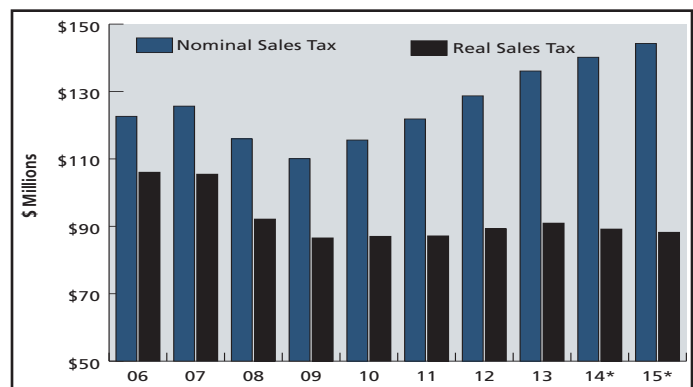
HOW ARE WE DOING?

City sales and use tax collections were \$136.1 million in 2013. This is \$7.4 million higher (5.7%) than in 2012. Through July 2014, combined sales and use tax collections were up \$2.67 million (4.1%) over the same period in 2013. The July report was surprisingly strong compared to just one month earlier. The Forum expects sales and use tax collections will increase by 3.0 percent in 2014 to \$140.2 million and by 2.9 percent in 2015 to \$144.2 million. It is important, however, to account for concomitant increases in inflation (CPI) and population. If we factor these in, "real" sales and use tax collections have been relatively flat (black bars on graph) and are expected to decrease by 1.2 percent in 2014 and 1.1 percent in 2015.

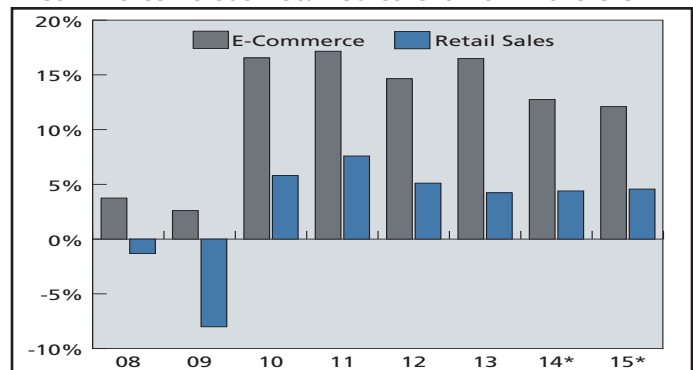
Through July 2014, all sales tax revenue categories were higher than year ago amounts except business services (-2.2%) and department and discount stores (-0.12%). The largest gains were in commercial machines (57.9%), grocery stores (11.1%) and building materials (8.4%).

At the national level, e-commerce activity declined sharply during the recession but still had modest, positive growth year to year during 2008 and 2009. The post-recession comeback reached an e-commerce sales growth high of 17.2 percent in 2011 and began the trend of a slower growth in 2012. The Forum forecasts e-commerce will increase 12.8 percent in 2014 and 12.1 percent in 2015. Conventional retail sales will grow more slowly.

Colorado Springs Sales and Use Tax Collections (Nominal in actual \$millions. Real indexed for inflation: 2001=100)



E-Commerce versus Retail Sales Growth in the U.S.

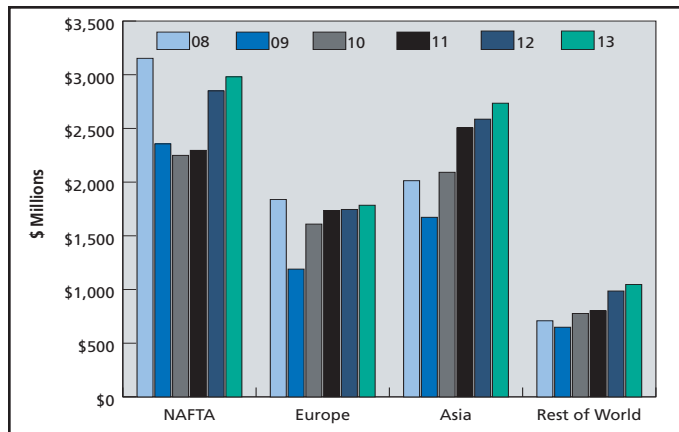


* SCEF forecast

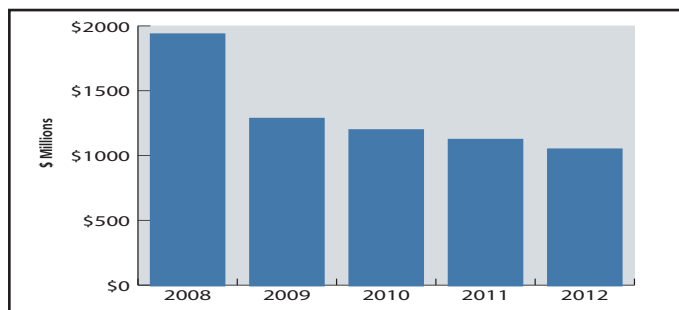
Sources: City of Colorado Springs Finance Department, Sales Tax Division; U.S. Department of Commerce

Exports and Education

Colorado Exports to Selected Destinations (\$ Million)



Colorado Springs MSA Exports (\$ Million)



Source: Office of Trade and Economic Analysis, International Trade Administration

WHY ARE THESE IMPORTANT?

One indicator of the state's competitiveness in a global economy is the ability to export goods and services. A higher level of export activity translates into more jobs in the state and more income and wealth. Economies that expect to compete in today's global economy need to grow export activity.

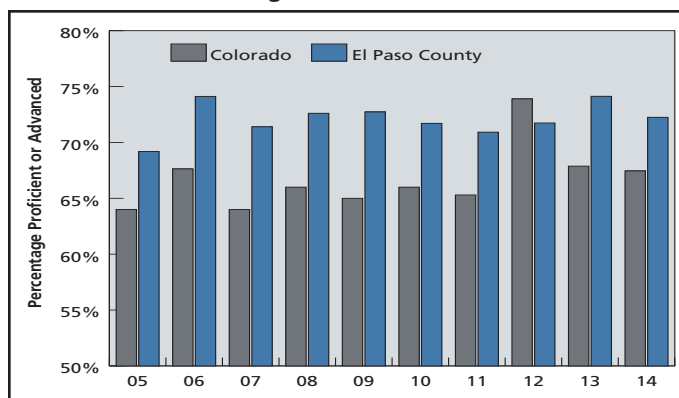
HOW ARE WE DOING?

Export growth in the State of Colorado to all regions from 2012 to 2013 was \$379 million, which represents a net increase of 4.6 percent. Specifically, exports to Canada and Mexico (NAFTA) increased \$131 million (4.6%). Exports increased to Europe by \$39 million (2.2%), and exports to Asia increased \$149 million (5.7%). Rest of the world exports increased \$60 million (6.1%). This increase in exports is a major factor in the favorable Colorado GDP growth rates.

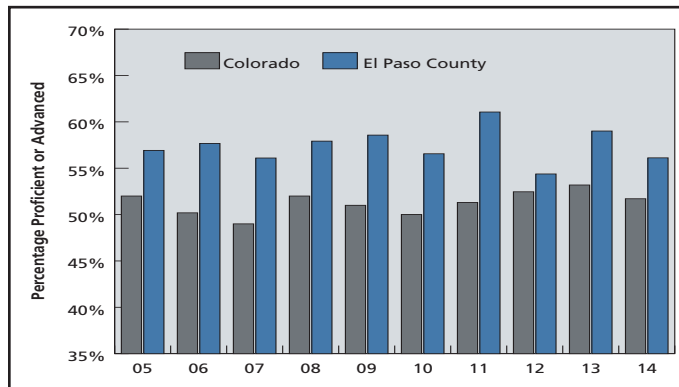
Twenty-one of 32 manufacturing categories in Colorado increased exports. The largest gains were in transportation equipment \$147 million (43.4%); food manufacturing \$104 million (7.7%); manufactured commodities \$71 million (15.0%) petroleum & coal products \$63 million (136.2%) and chemicals \$30 million (4.0%). Significant export declines took place in machinery except electronic components -\$105 million (-7.9%); electronic equipment -\$33 million (-13.6%); fabricated metal products -\$33 million (-11.1%) and agricultural products -\$22 million (-33.6%).

Colorado Springs, as of 2012 (the most recent year data is available), has not experienced the same increase in exports over the last five years as has been seen in many sectors across the state.

Colorado Assessment Programs: Fourth Grade Reading Results



Colorado Assessment Programs: Fourth Grade Writing Results



El Paso County data is a weighted average of school districts' percentages.
Source: Colorado Department of Education

WHY ARE THESE IMPORTANT?

Colorado adopted content standards in the areas of reading, writing, mathematics, science, social studies, foreign languages, visual arts, physical education and music in 1995 to define what students should know and be able to do at various levels in the schooling process. The Colorado Student Assessment Program (CSAP) was administered through 2011 to give parents, the public and educators a uniform source of information on how proficient Colorado students are at meeting the standards. This was replaced by The Transitional Colorado Assessment Program (TCAP) in 2012 which supports a move to tests based on Common Core State Standards (CCSS). The new computer-based Colorado Measures of Academic Success (CMAS) were administered for science and social studies in spring 2014. A partnership of twelve states have designed computer-based Mathematics and English Language Arts/Literacy tests based on CCSS which are scheduled to replace TCAP during the 2014-2015 school year.

HOW ARE WE DOING?

TCAP provides continuity from CSAP to Common Core (CCSS) tests. As such, comparison with testing performance by students on CSAP can be trended and compared with TCAP. This year, 72.25 percent of El Paso County fourth graders were proficient or advanced in reading. This is down 1.9 points over last year's 74.1 percent but is still higher than the statewide score of 67.45 percent. Fourth grade reading scores in El Paso County have improved 13.4 points versus a 12.1 point improvement in Colorado since the first exam given in 1997.

In 2014, 56.1 percent of El Paso County fourth graders were proficient or advanced in writing versus 59.0 percent in 2013. The 2014 score is 4.4 points higher than the statewide proficient or advanced proportion (51.7% in 2014). Since the first writing exam in 1997, scores in El Paso County have improved 16.4 points compared to a 13.7 point improvement in Colorado.

Education

WHY ARE THESE IMPORTANT?

A skilled workforce is essential for an economy to be competitive in world markets. Completion of high school is the minimal requirement to obtain needed skills in the 21st century. High school graduation and dropout rates are indicators of possible future societal costs from underemployment or unemployment and low earning potential.

In a global economy, a multi-cultural, skilled work force is a requirement for success. Providing a quality education to all ethnic groups is important to our economic well-being. Reducing the dropout rate for all ethnic groups is one important measure of success.

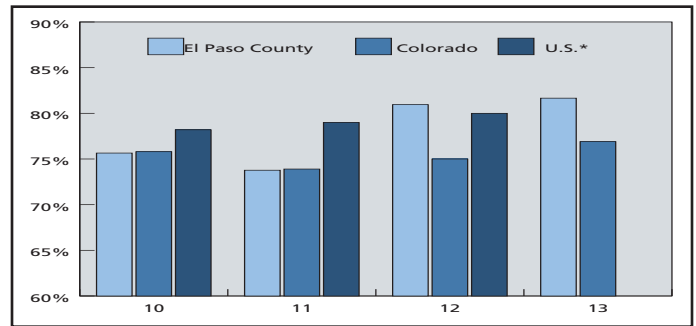
HOW ARE WE DOING?

The formula for calculating high school graduation rates in Colorado was changed in 2010 to align with calculations made by other states. In 2012, the El Paso County graduation rate improved to 81.0 percent, rising above the U.S. rate of 80.0 percent for the first time since using the aligned formula. Because of the formula change, state numbers can no longer be compared directly to rates prior to 2010.

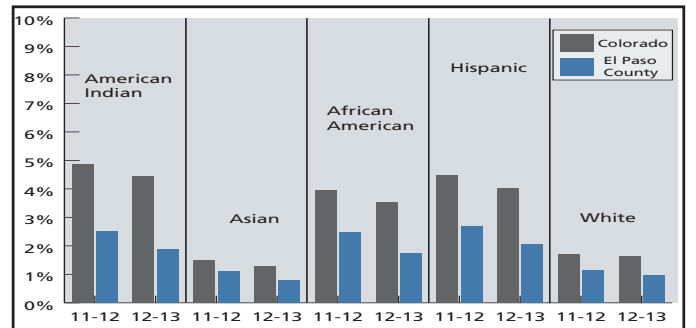
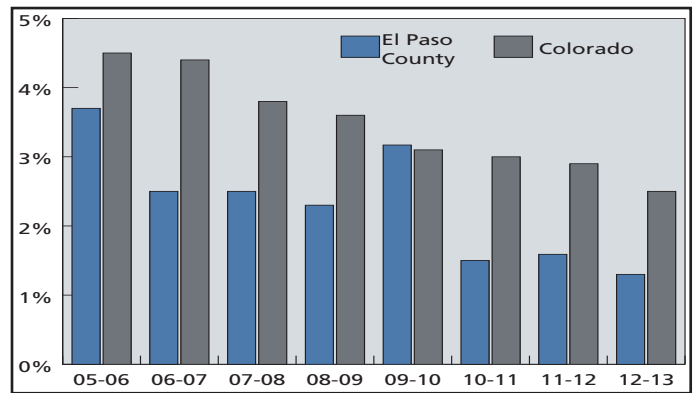
Graduation rates in El Paso County increased to 81.7 percent in 2013 compared to 81.0 percent in 2012. This is significantly higher than Colorado's graduation rate of 76.9 percent in 2013. With the exceptions of Colorado Springs District 11 (66.0%) and Edison (48.6%), all other El Paso County districts had higher graduation rates than the statewide rate.

Colorado dropout rates cannot be compared to U.S. dropout rates because of differences in calculation methods. Dropout rates in El Paso County decreased from 1.6 percent in 2012 to 1.3 percent in 2013. Colorado also saw a decrease in dropout rates from 2.9 percent in 2012 to 2.5 percent in 2013. Dropout rates in El Paso County are highest among American Indian/Alaskan Native and Hispanic students. Dropout rates are lowest among Asian and White students.

High School Graduation Rates



Grade 7 through 12 Dropout Rates



*Estimates based on state data collected by the U.S. Department of Education
Sources: Colorado Department of Education; National Center for Education Statistics, U.S. Department of Education

WHY IS THIS IMPORTANT?

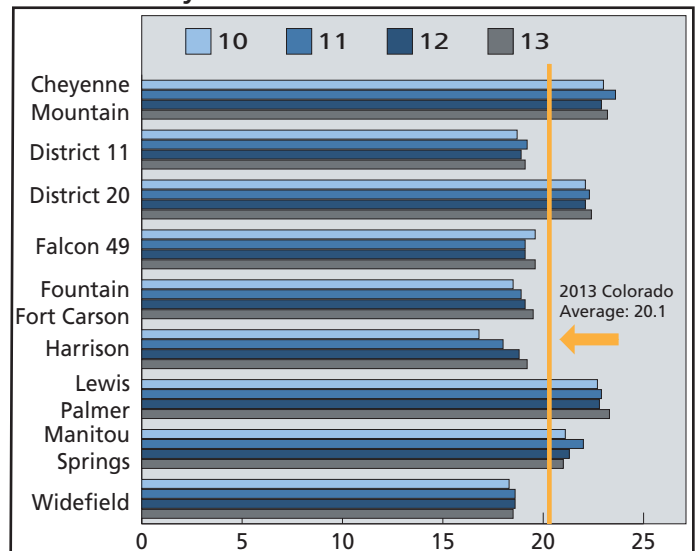
Academic performance of high school students is an important indicator of the knowledge base of the work force of the future. In our high technology economy this is especially significant. The American College Test (ACT) is a comprehensive achievement test designed to predict how well high school graduates will do in their first year of college. Colorado is one of eight states that require all high school juniors to take the ACT.

HOW ARE WE DOING?

In 2013, the Colorado Department of Education reported that Colorado juniors had an average ACT score of 20.1. This is up from 20.0 in 2012. Manitou Springs (21.0) and Widefield (18.5) were the only two local districts with lower ACT scores in 2013 over 2012. All other districts had higher scores contributing to an overall increase in El Paso County ACT scores from 20.40 in 2012 to 20.64 in 2013.

The average composite score for Colorado sophomores, juniors, and seniors was 20.4 in 2013, the fourteenth lowest in the nation and lower than the U.S. average (20.9). Colorado creates a downward bias in ACT results by requiring all high school juniors to take the ACT, as seen when comparing the required juniors' average score of 20.1 with the 20.4 which includes students electing to test in other years. For this reason, one should exercise caution when comparing Colorado ACT scores to national ACT scores.

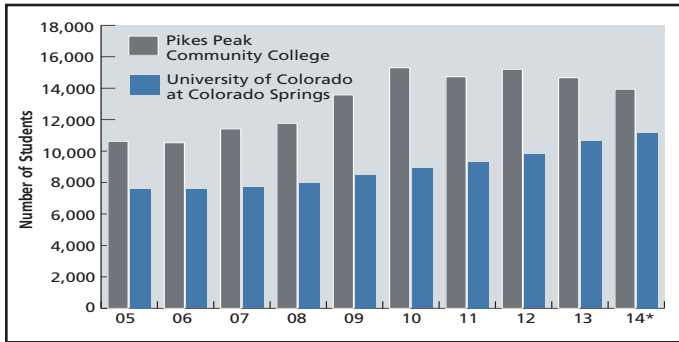
High School Junior ACT Scores in Selected El Paso County School Districts



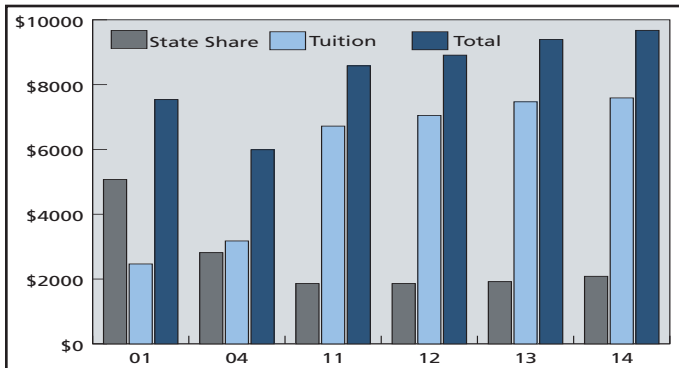
Sources: American College Testing program; Colorado Department of Education

Higher Education and Birth Weight

Enrollments at Public Institutions of Higher Learning in El Paso County



Funding Sources at the University of Colorado at Colorado Springs UCCS (per FTE)



Sources: Strategy Management offices at Pikes Peak Community College and UCCS Institutional Research

WHY ARE THESE IMPORTANT?

With a population over 650,000 and a demand for skilled labor, El Paso County needs quality public higher education institutions capable of meeting community needs. A well-trained and educated work force is essential for economic growth. Higher education enrollments are an indicator of the future supply of qualified workers.

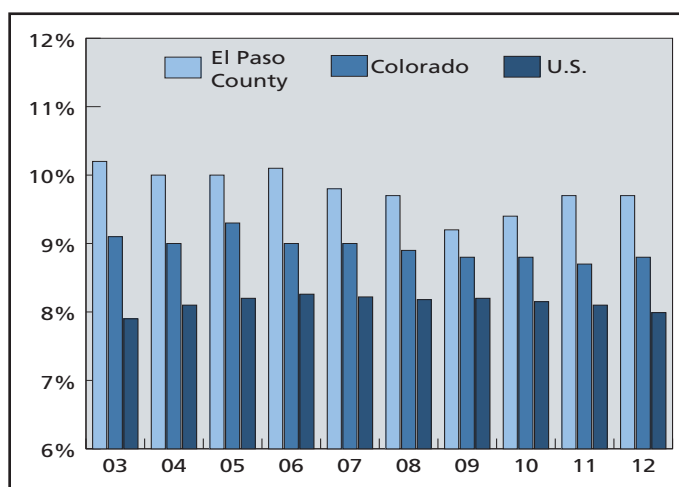
HOW ARE WE DOING?

Enrollments at University of Colorado Colorado Springs (UCCS) increased from 10,598 in 2013 to an estimated 11,150 students in the fall of 2014, an increase of 5.2 percent. A new academic office building as well as a new parking garage with two multi-purpose athletic fields on the roof opened in August, 2014. Work began in April, 2014 to expand student accommodations for an additional 515 students. Since 2006, enrollments at UCCS have grown 47.7 percent (7,547 to 11,150).

Pikes Peak Community College (PPCC) enrollments are expected to decrease by 5 percent to 13,931 in 2014 from 14,664 in 2013. Enrollments are still up 32.4 percent since 2006 (10,526 to 13,931) at PPCC.

Per student state support for a typical, in-state freshman or sophomore at UCCS is 21.6 percent of the total per student revenue in 2013, down from 67.3 percent in 2001. This decline in state support is characteristic of public universities across the country. It has called for creative and efficient university leadership and management. State support plus tuition per student went from \$7,538 in 2001 to \$9,675 in 2014, an increase of 28.4 percent. Allowing for inflation, per student total revenue declined 5.1 percent from \$7,538 to \$7,406 between 2001 and 2014. Total tuition has not kept up with inflation. It is important to note that despite the tuition increases, UCCS tuition is low compared to most other public universities. This fact alongside the plethora of strong academic programs makes its presence in Colorado Springs another asset to the community.

Low-Weight Birth Rate in Colorado and El Paso County (less than 2500 grams)



Source: Colorado Department of Public Health and Environment, Health Statistics and Vital Records

WHY IS THIS IMPORTANT?

The proportion of low-weight birth children is a predictor of future costs of both health care and special education. Proper nutrition and prenatal care can reduce the incidence of low-weight births. A healthy community will help ensure that mothers of all backgrounds practice proper nutrition and have access to and are encouraged to receive prenatal care. The low-weight threshold is 2,500 grams or about 5.5 pounds.

HOW ARE WE DOING?

Colorado and El Paso County have a high proportion of low-weight births. The upward trend that began in 1995 peaked in 2003 in El Paso County. Since then, the proportion of low birth weight babies declined slightly before trending upward again. El Paso County reached a low of 9.2 percent in 2009 and grew to 9.7 percent in 2012 and 9.8 percent in the recently released, 2013 numbers. Of the children born in Colorado and the U.S., about 8.8 percent and 8.0 percent, respectively, were low-weight births in 2012. Recent trends in El Paso County are in line with past trends. There are more low-weight births in our region than the state or national averages.

In recent years, the proportion of low-weight birth babies has decreased slightly for the U.S. and is holding relatively steady in Colorado. While El Paso is still doing better than the highs in the early 1990s, it should be noted that low-weight births in El Paso County, Colorado and the U.S. remain well above the 5 percent target set by the U.S. Public Health Service and El Paso County has remained the highest of the three each year.

Congestion and Crime

WHY ARE THESE IMPORTANT?

As the city grows, increased traffic leads to congestion, longer travel times, and more pollution. Although roadway improvements may alleviate some congestion, it may not be the total solution. Communities interested in quality of life and mobility will seek alternatives to relieve traffic congestion. These may include expanding and improving public transit, better location planning and walking and biking infrastructure.

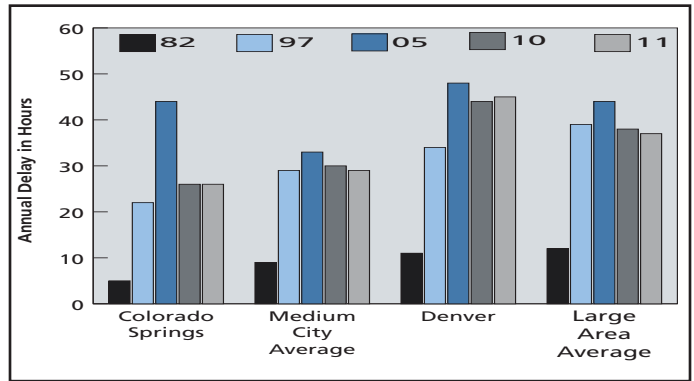
HOW ARE WE DOING?

The annual delay estimate is the extra travel time in hours spent in traffic per traveler each year during peak travel periods. Peak travel periods occur between 6 to 9 a.m. and 4 to 7 p.m. The information provided here is reported by the Texas Transportation Institute. A new methodology was used to revise the numbers which now highlight the results of previous investments made in highways which hit peak congestion in 2005.

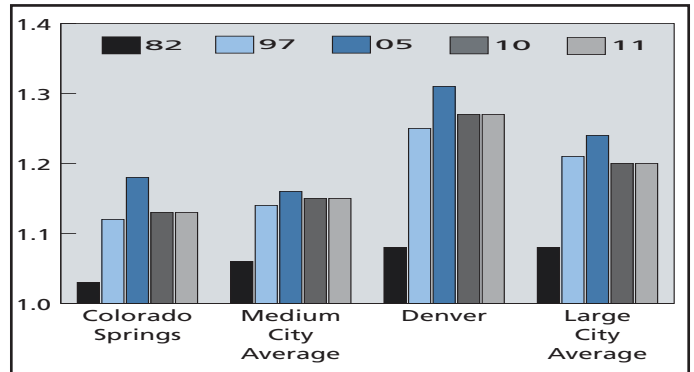
The annual delay per traveler in Colorado Springs in 2011 was 26 hours. This is much improved over the 2005 delay of 44 hours per traveler. The 2011 score is 3 hours better than the average for medium cities (29 hours). Annual delays per traveler in Denver improved by just 3 hours from a high of 48 hours in 2005 to 45 hours in 2011.

The travel time index is a ratio of travel time in the peak period to the travel time during free-flow conditions. The value of 1.13 for Colorado Springs in 2011 remained the same as 2010. It means a 30 minute free-flow trip would take 33.9 minutes during the peak period. This index has improved from a high of 1.18 in 2005.

Annual Delay per Traveler in Hours for Peak Period Travel



Travel Time Index



Source: The Urban Mobility Report, Texas Transportation Institute

WHY ARE THESE IMPORTANT?

Violent and property crimes result in the loss of life and property. Fighting crime is expensive and uses valuable community resources. Crime affects the business climate, as well as individual perceptions of the quality of life in the community. Due to a departure from the concept of an index crime by the FBI, violent and property crimes are shown separately. The graph shows comparisons to similar size cities in the country.

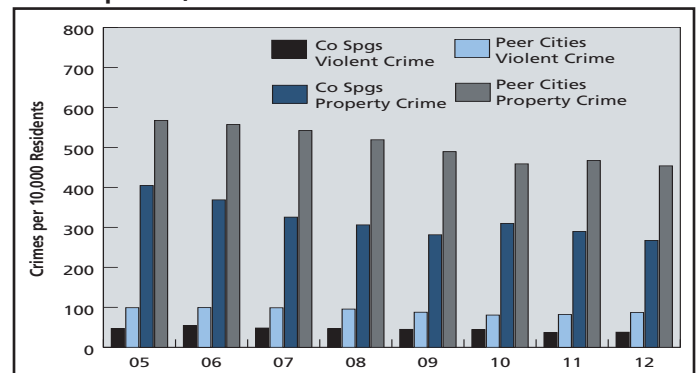
HOW ARE WE DOING?

While the FBI tracks sworn police officers for cities and counties, crimes are now only tracked for the Colorado Springs MSA. This includes all municipalities within El Paso and Teller Counties as well as non-municipal areas of the counties.

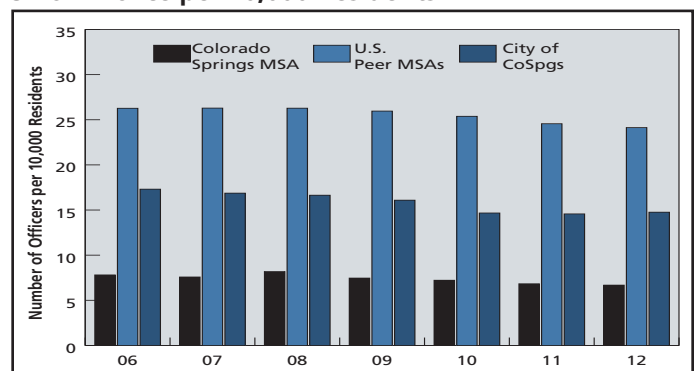
The Colorado Springs MSA violent crime rate remains well below its peers. There were 37.8 violent crimes per 10,000 people in the Colorado Springs MSA in 2012. This is 56.5 percent below other similar size cities. The property crime rate is also below the peer group with 267.4 property crimes per 10,000 people in the Colorado Springs MSA in 2012. This is 41.1 percent below the average of the peer group. The latest data available is for the first half of 2013 and indicates both crime rates are down 5.4 percent from the same period in 2012.

The number of sworn police officers per 10,000 residents in Colorado Springs is 38.8 percent below the number of sworn police per 10,000 inhabitants among peer cities. Colorado Springs had 14.8 officers per 10,000 people while other MSAs had 24.1 officers in 2012. Our region has another asset in that it has a relatively low crime rate for a city its size.

Colorado Springs U.S. Peer Cities Violent and Property Crimes per 10,000 Residents



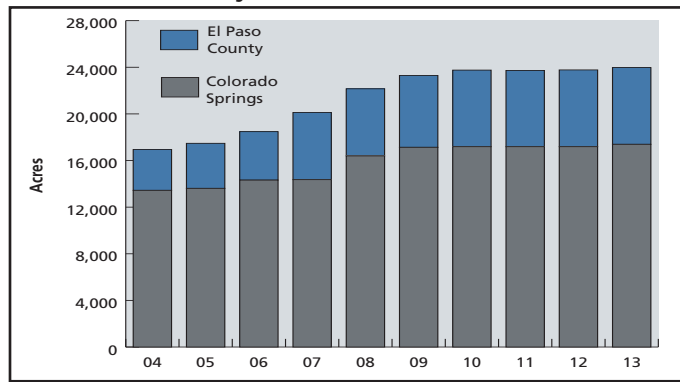
Sworn Police per 10,000 Residents



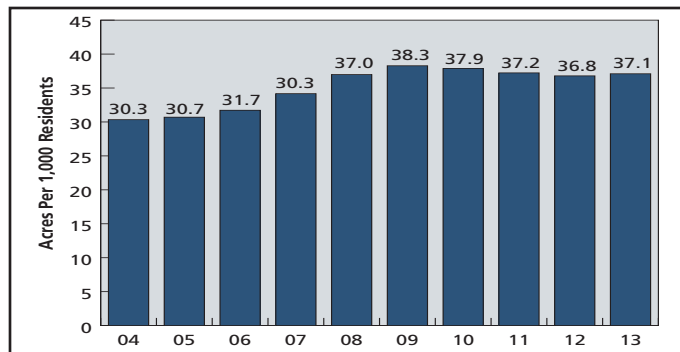
Source: Uniform Crime Reports, FBI

Park Acres and Air Quality

Parks and Open Space in Colorado Springs and El Paso County (Acres)



Total Park Acres Per 1,000 Residents



Sources: City of Colorado Springs and El Paso County Parks Departments

WHY ARE THESE IMPORTANT?

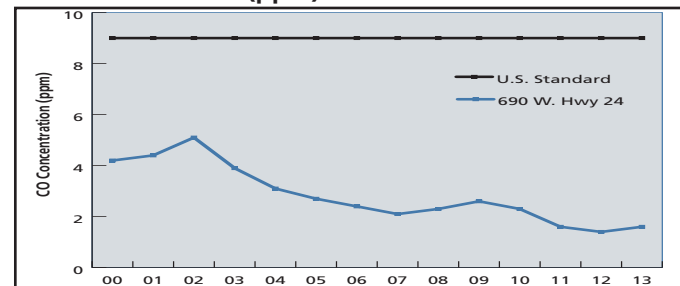
Open space, trails and park land provide important areas for recreation and leisure activity, support natural habitat and enhance the visual appeal of the region. Open spaces have a significant impact on the quality of life in the area. The beauty and attraction of the region is enhanced by parks and other open spaces available for public use.

HOW ARE WE DOING?

The Pikes Peak region is blessed with beautiful views and natural scenic areas. Together, the city and county manage 23,975 acres of open space and park land or 37.1 acres per 1,000 residents in 2013. The City of Colorado Springs has 17,390 acres of park and open space under management. El Paso County manages 6,585 acres of trails and open space. These facilities are important enhancements to the quality of life of residents in the Pikes Peak region and are an attractive feature for tourists. They are also an important, positive factor affecting business in the region.

Since the 0.1 percent Trails, Open Space and Parks sales tax (TOPS) was passed and implemented in 1998, the City of Colorado Springs has collected \$95.1 million or roughly \$5.9 million per year for trail construction, park construction, and open space acquisition. At its current pace, TOPS is expected to generate approximately \$7.0 million in 2014, an increase of 3.0 percent over 2013. Managing 23,975 acres of parks, open space and trails is a heavy fiscal responsibility for the county and city.

Carbon Monoxide (ppm)



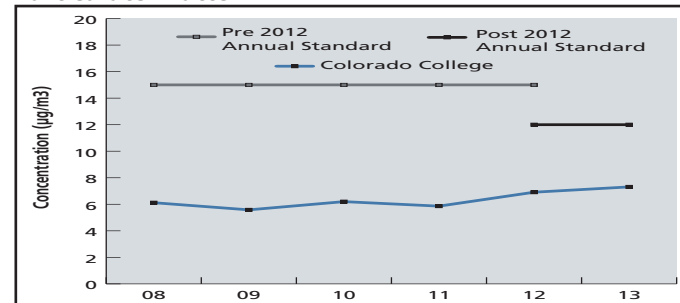
WHY ARE THESE IMPORTANT?

Air quality is fundamental to community health, the environment and the economy. There is growing concern over the interdependence between the health of the environment and the economy. Many people move to Colorado to enjoy sunny days and clean air. While there is no overall index of environmental health, carbon monoxide, particulate concentrations and ozone levels provide an indication of air quality.

HOW ARE WE DOING?

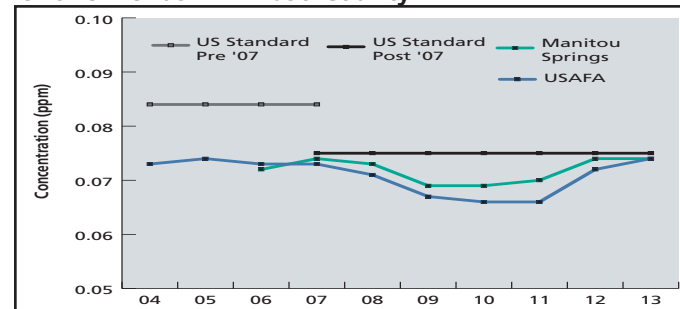
The Pikes Peak region has a comparative advantage over many other communities in terms of its natural beauty and relatively healthy environment. The region has remained below U.S. standards for carbon monoxide (CO) emissions since 1989. The Pikes Peak Area Council of Governments expects more improvement in CO emissions because of technological advancements and because older cars are being replaced by lower emissions autos. Reduced congestion and better traffic flows help alleviate CO emissions. CO levels continued a downward trend that began in 1990. The decline in business activity during the recession is also believed to have reduced pollution levels.

Particulate Matter



Particulate matter (PM) includes both solid particles and liquid droplets found in the air, and smaller particles pose the greatest health risks. The threshold for the U.S. standard in particulate matter changed in 2012 to an annual standard of 12 micrograms per cubic meter ($\mu\text{g}/\text{m}^3$). Even with the lower threshold, the Pikes Peak region is still well below the PM concentration, which is favorable from a quality of life and health perspective. Local ozone level readings have been on an upward trend since 2010, most likely due to a variety of factors including the forest fires and increased vehicle use. Ozone levels from 2012 to 2013 leveled off with 0.07 ppm measurements at both the Air Force Academy and Manitou Springs.

Ozone Trends in El Paso County



Source: Pikes Peak Area Council of Governments

Tourism and Lodging

WHY ARE THESE IMPORTANT?

The hotel and lodging industry use two primary mechanisms to gauge how their sector is performing. Hotel occupancy is one major indicator and it simply measures the percentage of rooms that are occupied out of the total number of rooms available. The compiled statistics on occupancy are average rates for the year. The other indicator is “RevPAR,” or revenue per available room, which is the occupancy rate multiplied by the average room rate. RevPAR is a measurement tool that hotel managers and market observers use to analyze the impact of changes in occupancy and average daily rate on hotel revenues, as well as to assess the overall health of the market.

All compiled statistics are from voluntary surveys. Communication with the source reveals there is somewhat of a selection bias in this information because typically larger hotels participate in the survey, which means smaller lodging establishments are not as well represented. Also, resorts such as the Broadmoor and the Cheyenne Mountain Resort are not included in the hotel category.

Each year, about 6 million people visit the Pikes Peak area generating over \$1 billion in revenue, making tourism a major economic sector.

HOW ARE WE DOING?

Lodging in El Paso County in 2013 stayed relatively steady as measured by the occupancy rates. In 2012, the average occupancy rate was 60.5 percent and in 2013 it was 59.1 percent. For the entire state of Colorado, occupancy rates were higher at 61.8 percent in 2012 and 64 percent in 2013. No fires or floods combined with a mild summer should help increase El Paso County tourism in 2014.

RevPAR also stayed relatively flat in Colorado Springs with a value of \$54.04 in 2012 and \$53.81 in 2013. Projected increases are modest for 2014 and 2015. For the state of Colorado, RevPAR increased from \$76.35 in 2012 to \$81.80 in 2013.

When you combine the lower occupancy rate in Colorado Springs and the relatively stagnant RevPARs over the last several

WHY ARE THESE IMPORTANT?

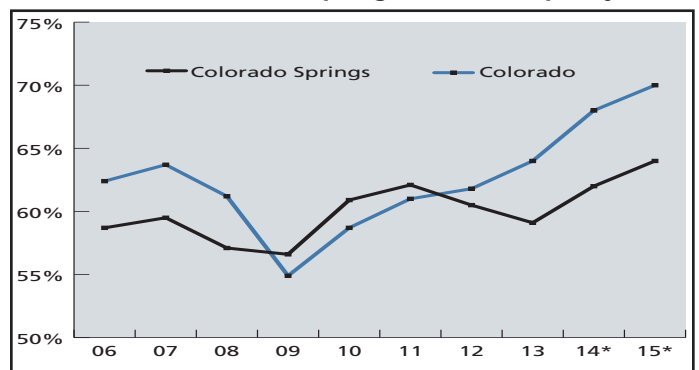
Lodger’s and automobile rental tax collections are also a way of gauging the relative “health” of the tourism sector. Air service is another economic indicator, and it can have a profound impact on the local economy, particularly on air-dependent industries. The travel and tourism industry is heavily dependent on quality air service. Companies also need convenient service in order to maximize productivity and minimize travel time. Company location and expansion decisions are impacted by local air service.

HOW ARE WE DOING?

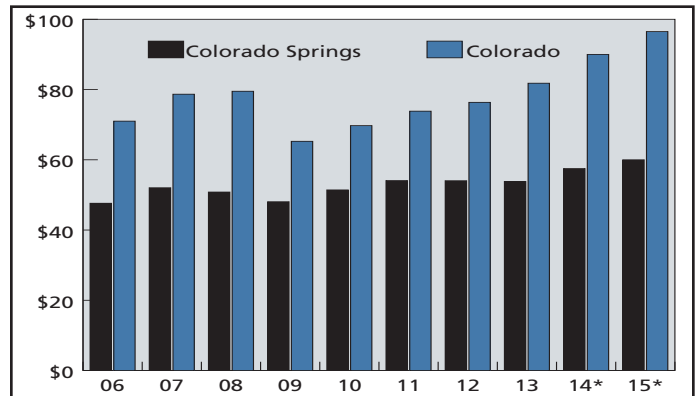
In Colorado Springs, lodging and automobile rental taxes decreased slightly from \$3,176,300 in 2012 in tax collections to \$3,157,600 in 2013, when adjusted for inflation. Projected levels for 2014 and 2015 are in the same range as can be seen visually in the graph to the right.

Total enplanements at the Colorado Springs Airport were 662,700 in 2013, which is down from 822,010 in 2012. This represents a decrease of 19.4 percent, which is alarming. Unless something changes, it is not likely that this trend will change. Given the importance of convenience for businesses shipping goods and individuals travelling as tourists, the airport activity is important to address. This represents a bit of a conundrum because more local employers would increase airport traffic, but new employers are less likely to find Colorado Springs attractive if there is very limited direct service to other major cities.

Colorado and Colorado Springs Hotel Occupancy



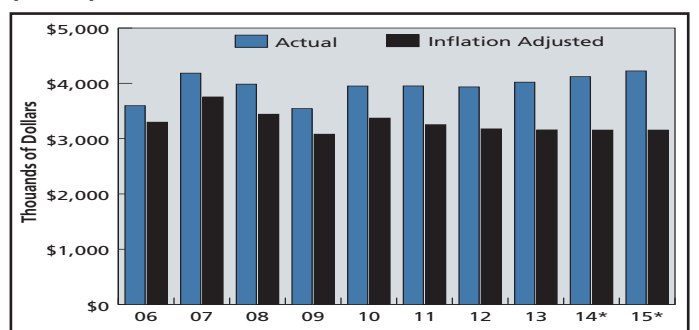
Colorado and Colorado Springs RevPAR Trends



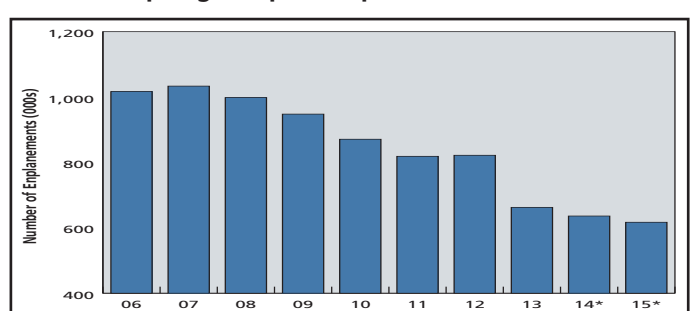
* Robert S. Benton & Associates, Inc. forecast
Source: Rocky Mountain Lodging Report

years, it appears that Colorado Springs is not being as successful in attracting tourism business as is the rest of Colorado. Given the importance of the tourism industry in Southern Colorado, it may be worthwhile to pursue the idea of more heavily marketing tourism perhaps through State branding efforts.

Lodgers and Automobile Rental Tax Collections (\$000s)



Colorado Springs Airport Enplanements (000s)



* SCEF forecast
Sources: City of Colorado Springs Finance Department, Sales Tax Division; Colorado Springs Airport

City Comparisons

MSA	Average Earnings per Job (2012)	Average Wage and Salary Disbursements (2012)	Percent of the Population 25 Years and Over with a Bachelor's Degree (2012)	Per Capita Personal Income (2012)	Per Capita Personal Income as a Percent of the U.S. Average (2012)	Percent Change in Personal Income 2001-2012
Albuquerque, NM	\$47,312	\$43,062	18.2%	\$36,272	80.3%	24.9%
Austin, TX	\$54,140	\$51,958	28.2%	\$42,902	94.9%	30.8%
Boise, ID	\$45,076	\$40,293	24.1%	\$35,354	78.2%	19.0%
Boulder, CO	\$54,310	\$56,468	35.1%	\$53,772	119.0%	30.5%
Colorado Springs, CO	\$49,704	\$47,370	22.1%	\$40,980	90.7%	29.4%
Denver, CO	\$61,403	\$56,918	25.8%	\$50,936	112.7%	28.7%
Huntsville, AL	\$56,436	\$52,123	23.8%	\$41,595	92.0%	43.4%
Kansas City, MO	\$55,300	\$49,077	19.2%	\$44,766	99.1%	34.6%
Minneapolis, MN	\$59,037	\$53,829	28.4%	\$50,260	111.2%	33.6%
Portland, OR	\$54,532	\$50,843	25.9%	\$43,103	95.4%	30.4%
Pueblo, CO	\$42,996	\$38,637	12.5%	\$33,218	73.5%	32.0%
Salt Lake City, UT	\$52,719	\$46,997	23.7%	\$40,424	89.5%	37.1%
Tucson, AZ	\$44,591	\$42,560	14.7%	\$36,335	80.4%	40.4%
Wichita, KS	\$52,250	\$43,668	19.2%	\$41,152	91.1%	34.4%
Comparison City Average	\$52,129	\$48,129	22.9%	\$42,219	93.4%	31.9%

Sources: Bureau of Economic Analysis, Regional Economic Accounts; 2012 American Community Survey U.S. Census Bureau

WHY IS THIS IMPORTANT?

The Forum looks at several other MSAs (metropolitan statistical areas), or cities, to provide a relative measure of how Colorado Springs compares with other metropolitan regions in the U.S. The MSAs included in this analysis are cities that compete directly with Colorado Springs for jobs. The table provides comparisons of per capita personal income, earnings, wages and salaries and educational attainment. The figures in the table above are from the Bureau of Economic Analysis and the 2012 American Community Survey, U.S. Census Bureau. All figures are for 2012, the latest available comparison data for these MSAs.

HOW ARE WE DOING?

Two measures of earnings are provided in the table. Average earnings per job is a broad measure that uses total aggregate earnings in the city divided by full- and part-time employment. In addition to wage and salary disbursements, this includes other labor income and proprietors' incomes. The wage and salary disbursements in the table are the monetary remuneration made to employees including corporate officer salaries, bonuses, commissions and other incentive payments. Average earnings per job for the MSAs were \$52,129 in 2012. Colorado Springs average earnings per job were \$49,704 in 2012, ranking the region tenth out of the fourteen MSAs. The average earnings per job in 2012 were \$2,425 lower in Colorado Springs compared to the group average. Wage and salary disbursements averaged \$48,129 for all of the MSAs in the table. Wage and salary disbursements in Colorado Springs averaged \$47,370, ranking the city eighth out of the fourteen MSAs.

Cities with greater entrepreneurial activity tend to have a greater percentage of the population with a bachelor's degree. The table shows the highly entrepreneurial cities of Boulder, CO

(35.1%) and Austin, Texas (28.2%) ranked among the top three comparison cities. At 22.1 percent, Colorado Springs is just below the comparison city average of 22.9 percent.

Per capita income is largely determined by jobs and the earnings from these jobs. Reported per capita personal income in Colorado Springs was \$40,980 in 2012. This is 2.2 percent higher than per capita personal income in 2011 (\$40,105). The average per capita personal income for all of the MSAs in the table is \$42,219, which is higher than the Colorado Springs' average. Per capita personal income for the Colorado Springs MSA in 2012 was 90.7 percent of the U.S. average of \$45,188. Eight of the thirteen comparison MSAs have per capita personal income higher than Colorado Springs. Per capita personal income in Colorado Springs grew 29.4 percent from 2001 to 2012 or 2.7 percent per year compared to a 31.9 percent growth rate for the average of the group or 2.9 percent per year.

The BEA definition of personal income includes income that is taxed, partly taxed, and tax-exempt. It excludes capital gains, pension benefit payments, and contributions for government social insurance. This is a widely used measure of household income.

The fact that Colorado Springs ranks on the lower end of the spectrum in terms of average earnings per job and per capita personal income is both negative and positive. It is negative because Colorado Springs residents would directly benefit from higher paying jobs in the region and through the multiplier, higher wages would boost economic activity in aggregate. It is positive because the lower wages can make Colorado Springs more attractive to companies that are thinking about locating in the region.

UCCS & The Southern Colorado Economic Forum

The Southern Colorado Economic Forum is the research product of Tom Zwirlein and Tatiana Bailey, faculty members of the UCCS College of Business. As a research university, UCCS prides itself on faculty who are leaders not only in their respective fields, but also in the pursuit of new knowledge that can be applied to regional issues and concerns. The sharing of this research is a tenet of the university's mission and its promise to be closely connected with and engaged in the communities of Southern Colorado.

UCCS by the facts

- Current student enrollment is approximately 11,132.
- Approximately 2,000 students are enrolled in online courses.
- The student body is 26 percent ethnic minority groups with graduation rates for these groups exceeding the peer university average.
- 37 Bachelor's degrees, 19 Master's degrees, and 5 Ph.D. programs.
- 14 UCCS athletic programs are part of the NCAA Division II.
- More than 450 students are active military and more than 25 are U.S. Olympic athletes.
- There are six academic colleges: business, education, engineering and applied science, public affairs, letters, arts and sciences, nursing and health sciences.

UCCS College of Business and Administration and the Graduate School of Business Administration

The College of Business and Administration was established along with the University of Colorado Colorado Springs in 1965. The College awards the Bachelor of Science in Business, the Bachelor of Innovation™ in Business, and the Master of Business Administration degrees. In 2011 the college established a dual degree program in Business Administration with its long-time partner, the Frankfurt School of Finance and Management.

All degree programs are accredited by AACSB, International - the Association to Advance Collegiate Schools of Business. Less than 5% of business schools in the world hold this distinction. The College of Business is nationally ranked by US News and World Report.

Our internationally-recognized doctoral faculty is known for innovative thinking, skilled teaching, and relevant research. A distinctive focus on business ethics complements the knowledge and technical skills our students gain. Employers seek our UCCS graduates for

- Founded in 1965 at the foot of Pikes Peak in response to community and business needs; one of three campuses of the University of Colorado System.

UCCS kudos

- Named a top Western public university by U.S. News and World Report; The UCCS College of Engineering and Applied Science is ranked, alongside the military service academies, as having one of the best undergraduate engineering curriculums in the nation. The graduate programs in nursing, business and public affairs are all top-ranked.
- Among the fastest growing college campuses in the state and nation.
- Named a national leader in community engagement efforts by the American Association of State Colleges and Universities.
- Accrediting agencies: North Central Association of Colleges and Schools, The Higher Learning Commission, AACSB International, Accreditation Board for Engineering and Technology, Commission on Collegiate Nursing Education, National Association of Schools of Public Affairs and Administration, National Council for Accreditation of Teacher Education.

their ability to apply classroom learning to real-world business challenges.

The UCCS College of Business and Administration is proud of its partnership with the local business community. These relationships are essential in infusing current business practices into the classroom. The college connects to the community in a variety of ways, including the Southern Colorado Economic Forum, the UCCS Career Networking Night, and the UCCS College of Business Ethics Initiative. Get information about alumni, executive education, extended studies, working with interns, or hiring graduates, by visiting www.uccs.edu/business.

Contact: College of Business and Administration

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Southern Colorado Economic Forum
College of Business and Administration and
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College of Business

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