



16th Annual Southern Colorado Economic Forum

UCCS College of Business
UNIVERSITY OF COLORADO **COLORADO SPRINGS**

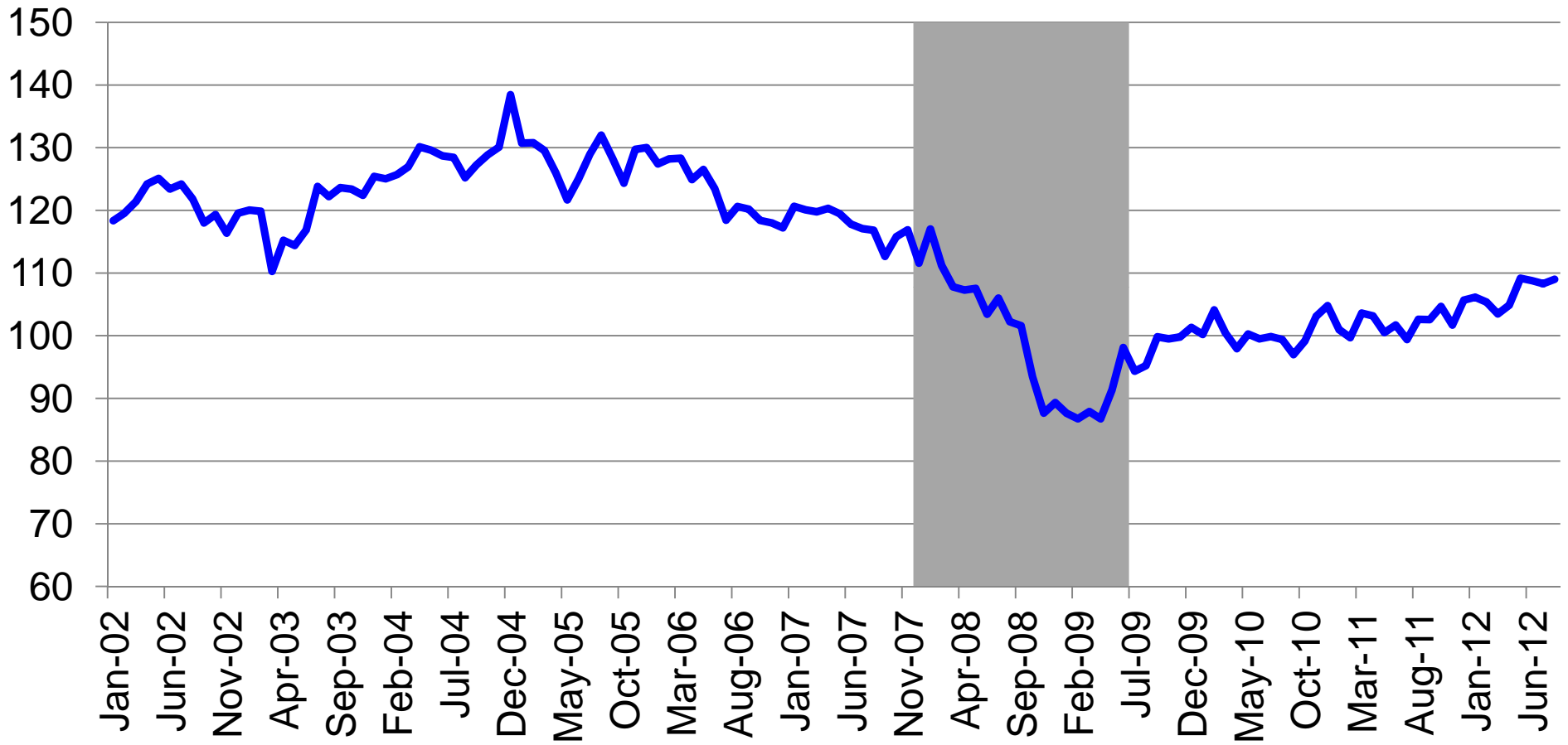
September 28, 2012

Tom Zwirlein, Ph.D. and Fred Crowley, Ph.D
Southern Colorado Economic Forum
University of Colorado Colorado Springs
College of Business and Administration

Agenda

- Colorado Springs economy (BCI)
- New vehicle registrations and housing
- Employment and income
- Emerging opportunities
 - Oil drilling and exploration
 - Mountain Shadows
 - Health care
- Fiscal cliff
- Forecast

Business Conditions Index (BCI) for El Paso County (Dec 2007-Jun 2009 = 100)

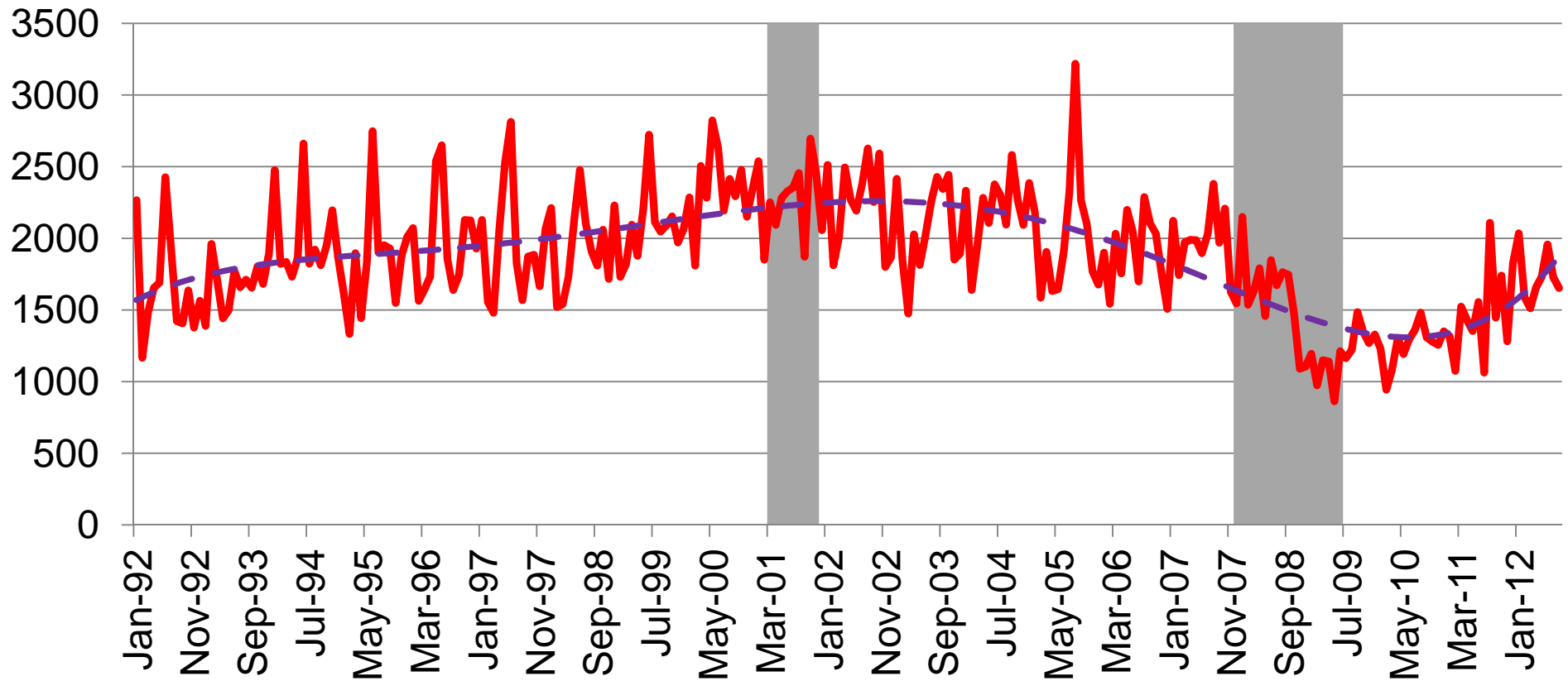


Source: UCSS Forum

BCI Stars

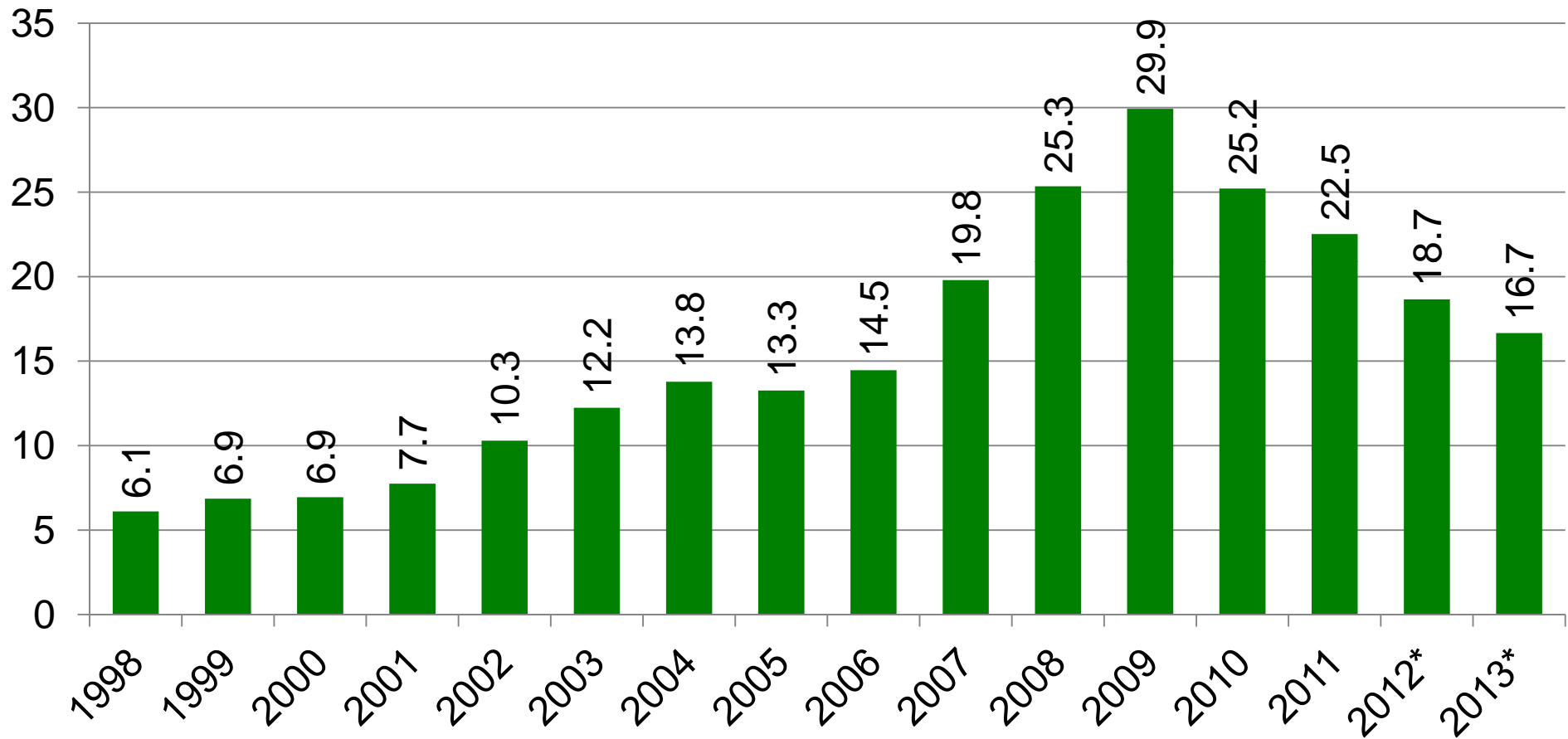
- New vehicle registrations (sales)
- Housing
 - Foreclosures
 - Single family permits
 - Re-sales
 - Mortgage rates

Monthly, New Vehicle Registrations in El Paso County



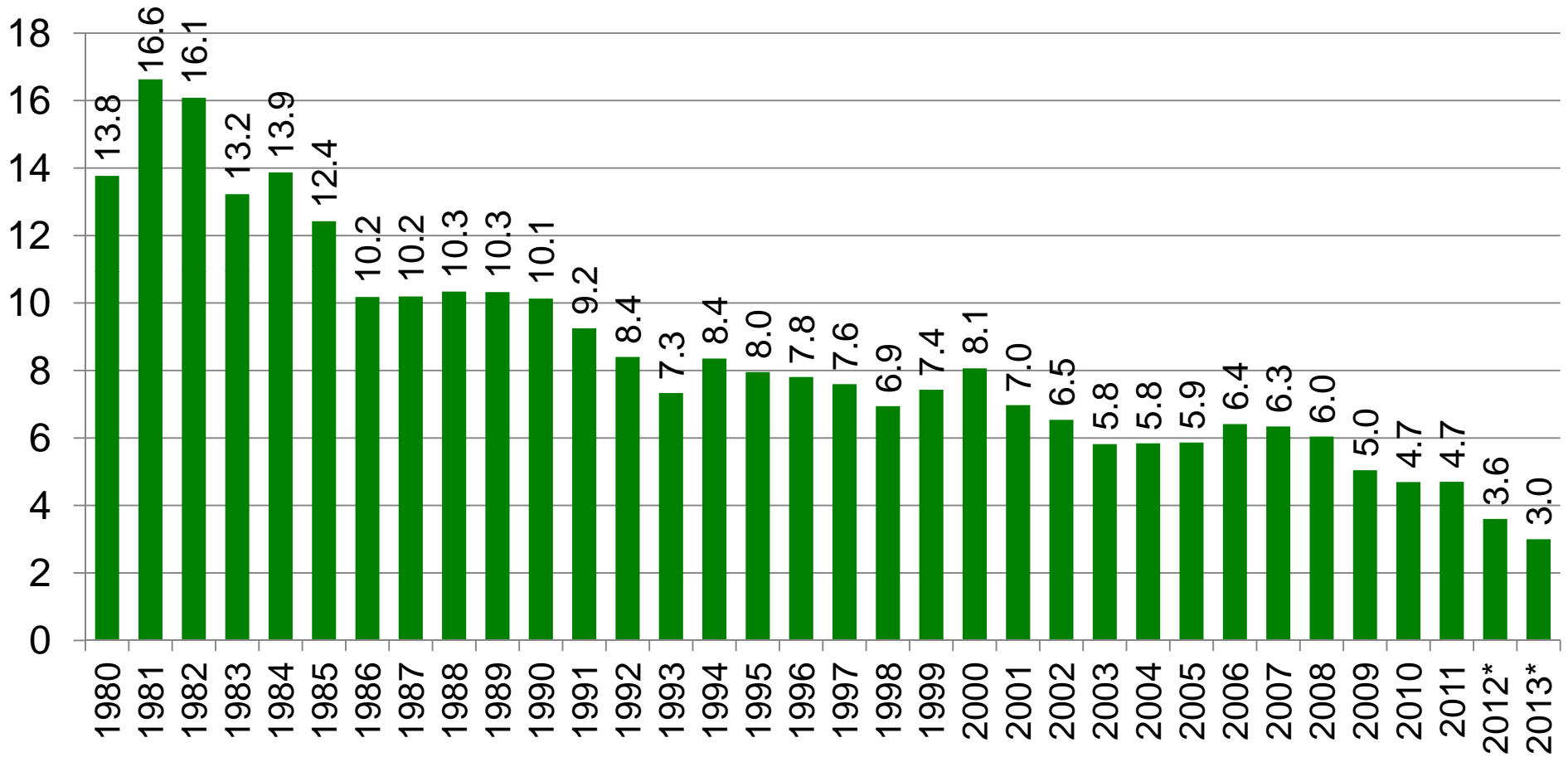
Source: El Paso County Clerk and Recorder

Foreclosures Per 1,000 Households in El Paso County



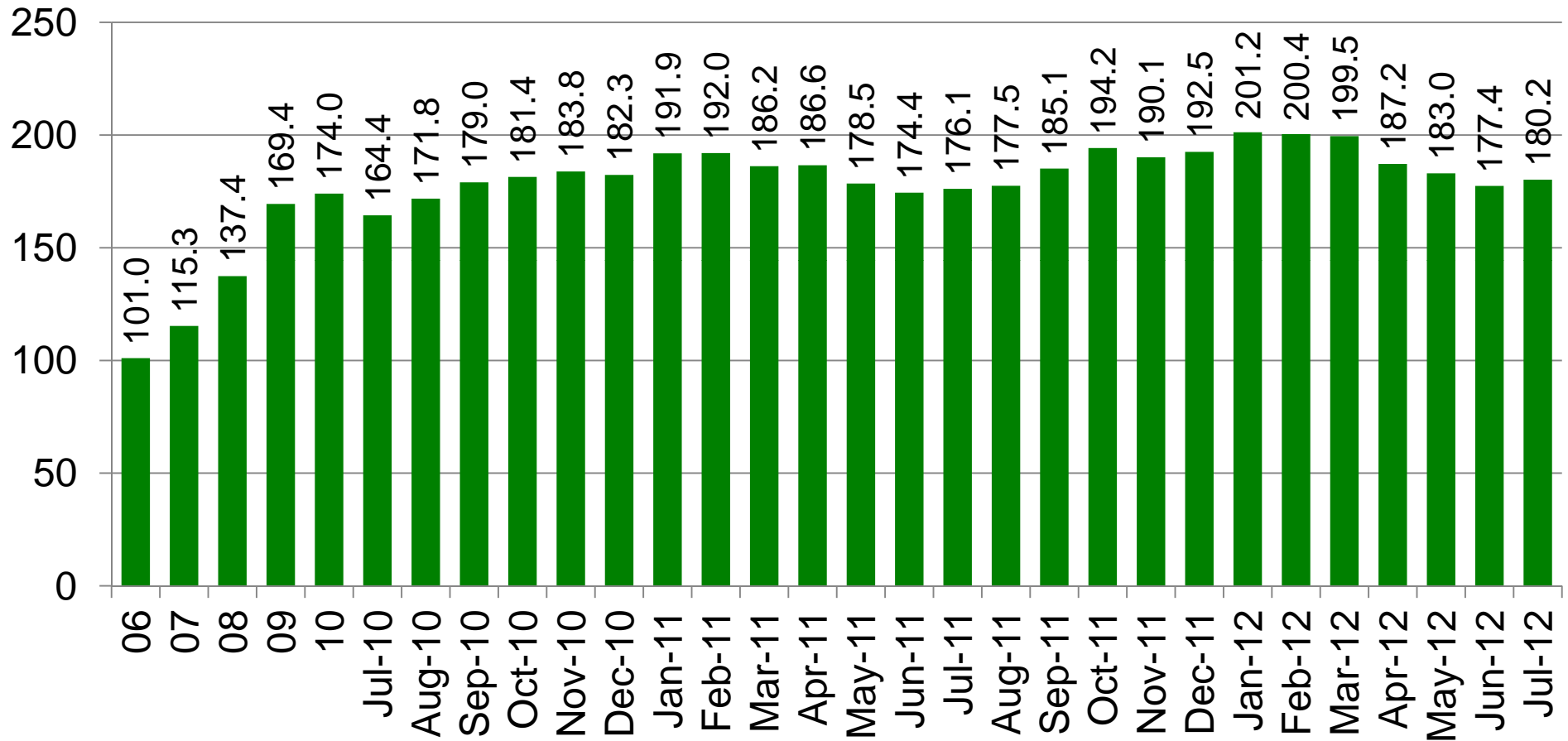
Source: El Paso County Public Trustee

30 Year, Conventional Mortgage Rates (%)



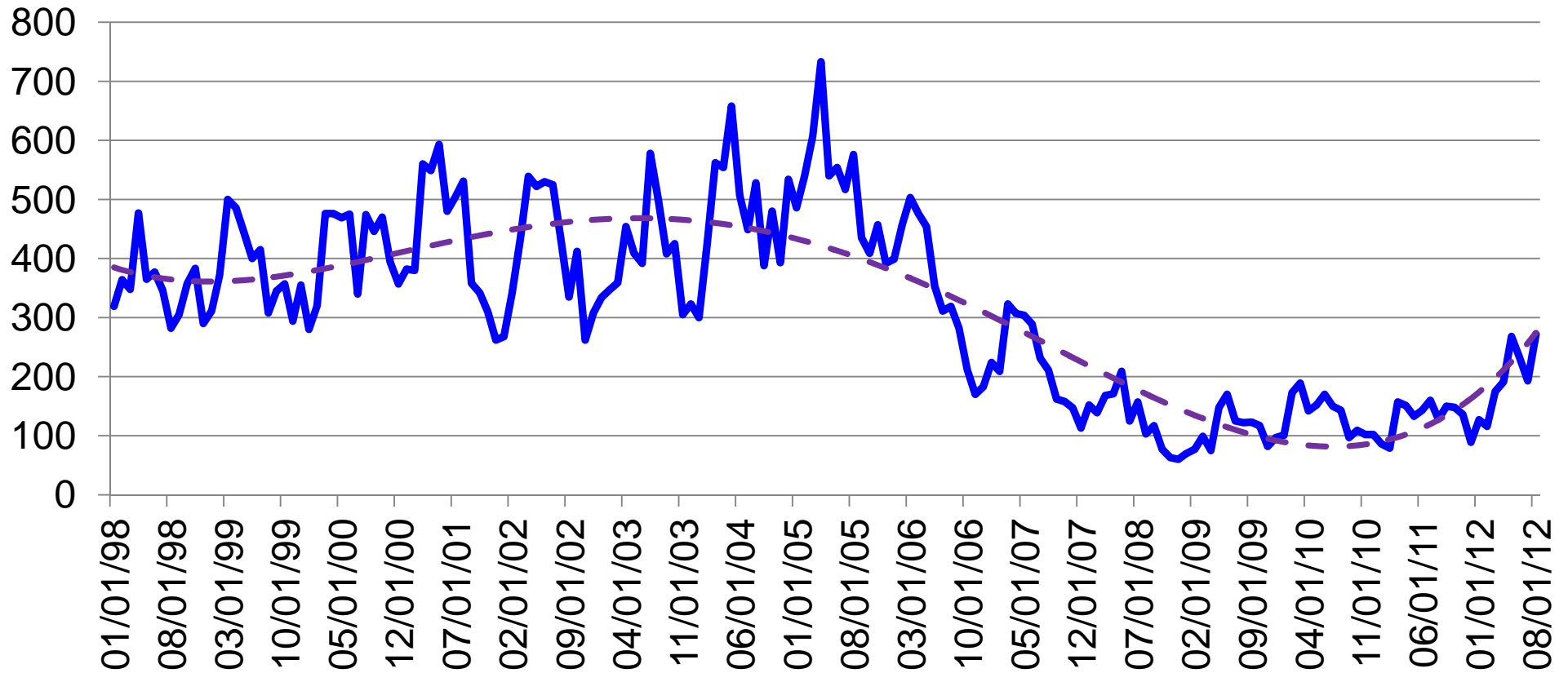
Source: Federal Reserve Bank of St. Louis

Housing Affordability Index in the U.S.



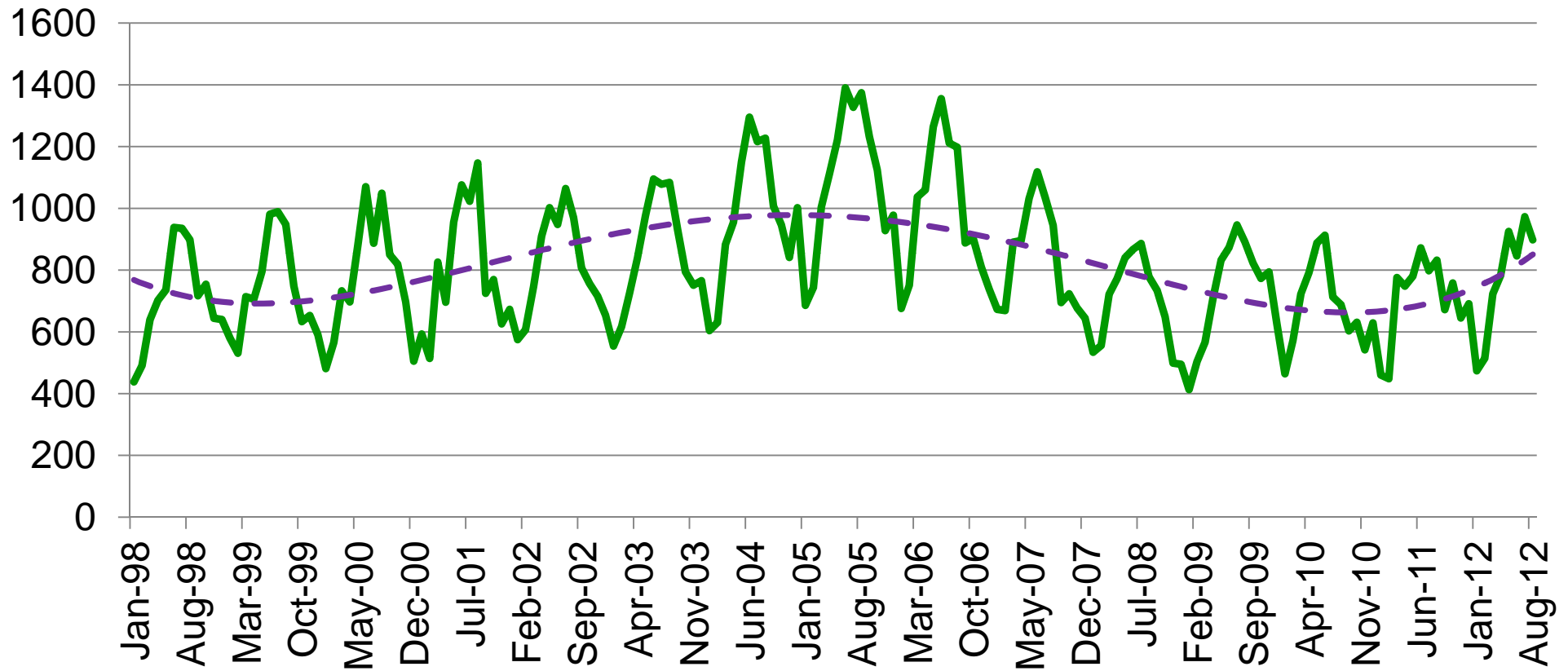
Source: National Association of Realtors®

Monthly, Single Family Permits in El Paso County



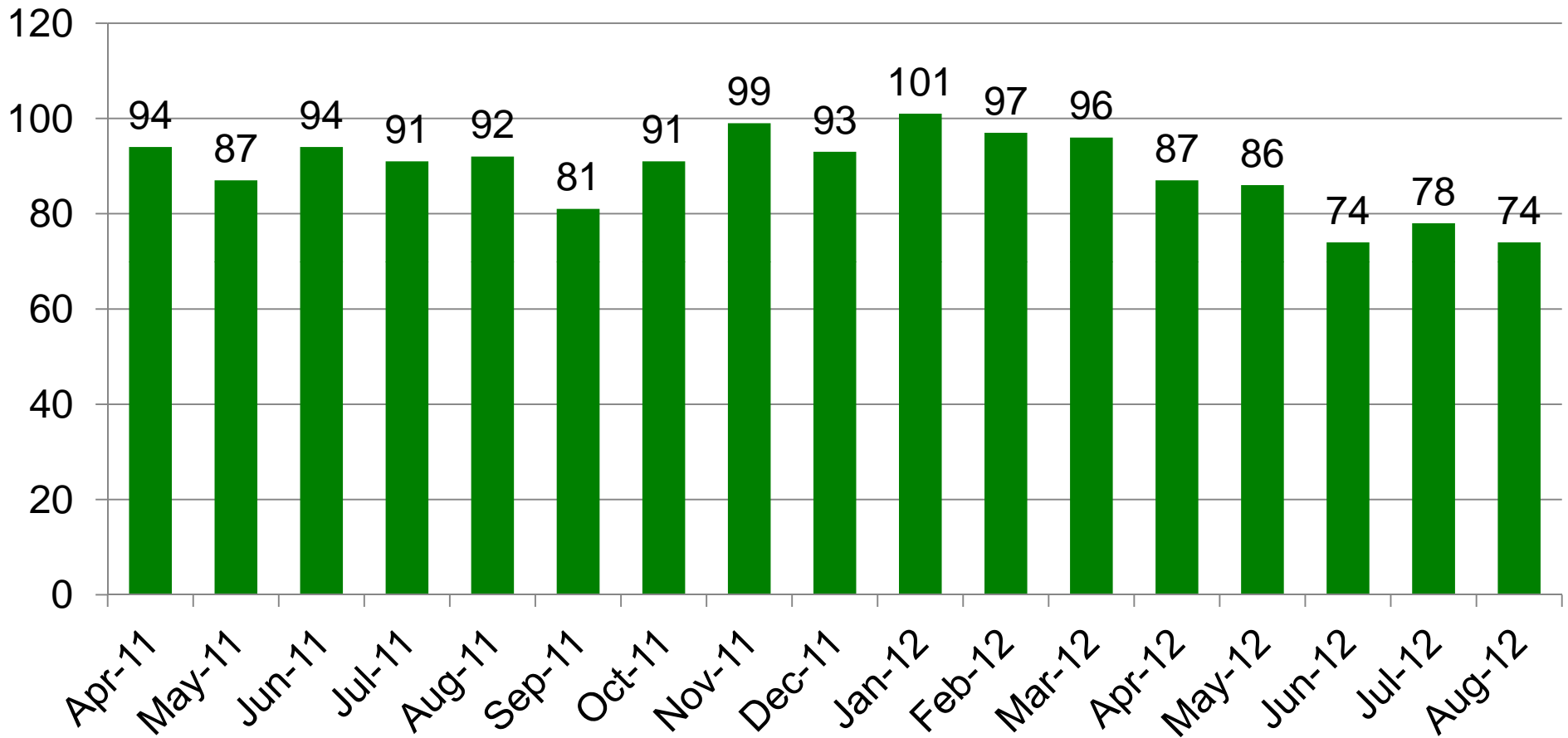
Source: Pikes Peak Regional Building Department

Monthly, Sales of Single Family Homes in the Pikes Peak Region



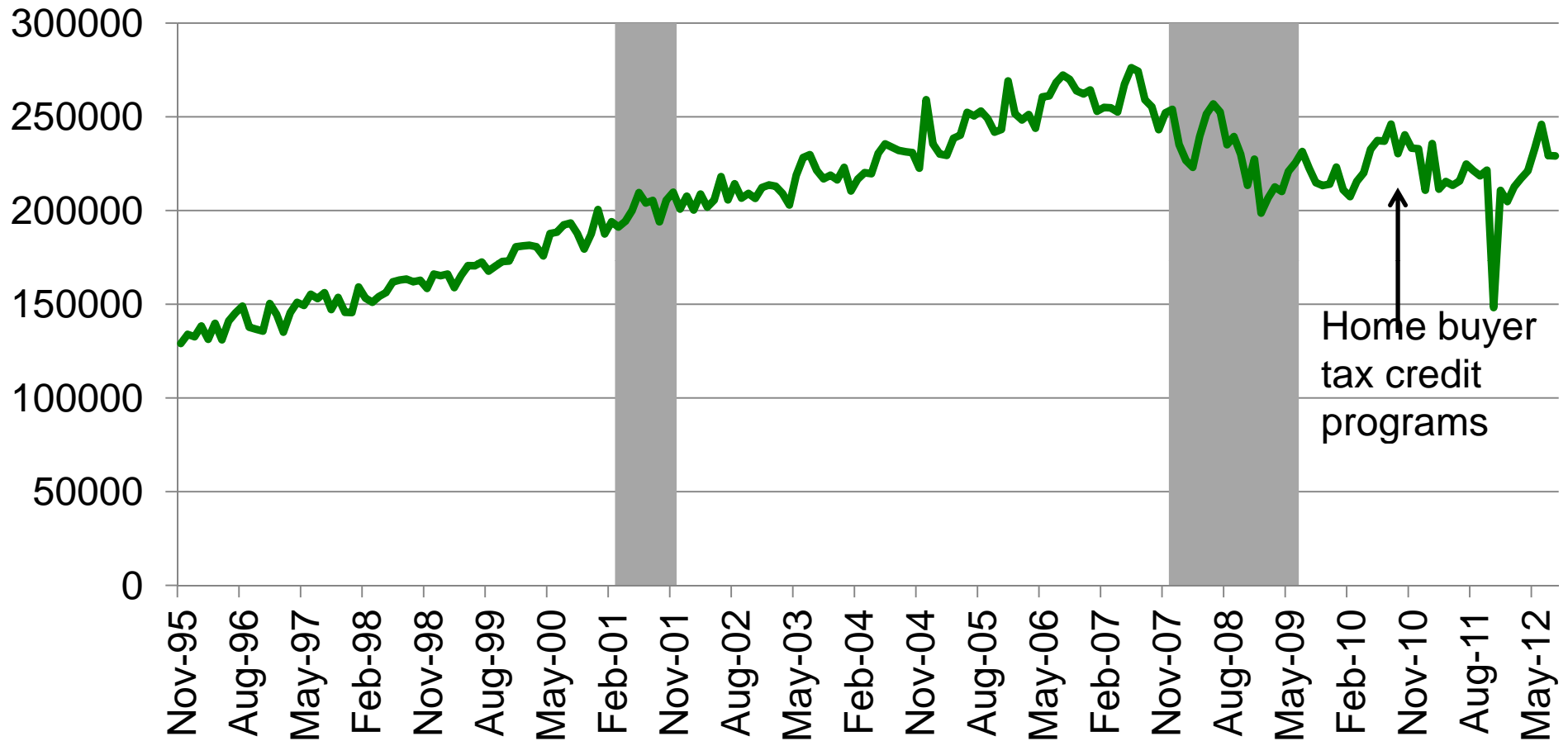
Source: Pikes Peak Association of Realtors® (PPRSCI) and UCCS Forum

Days on Market in the Pikes Peak Region



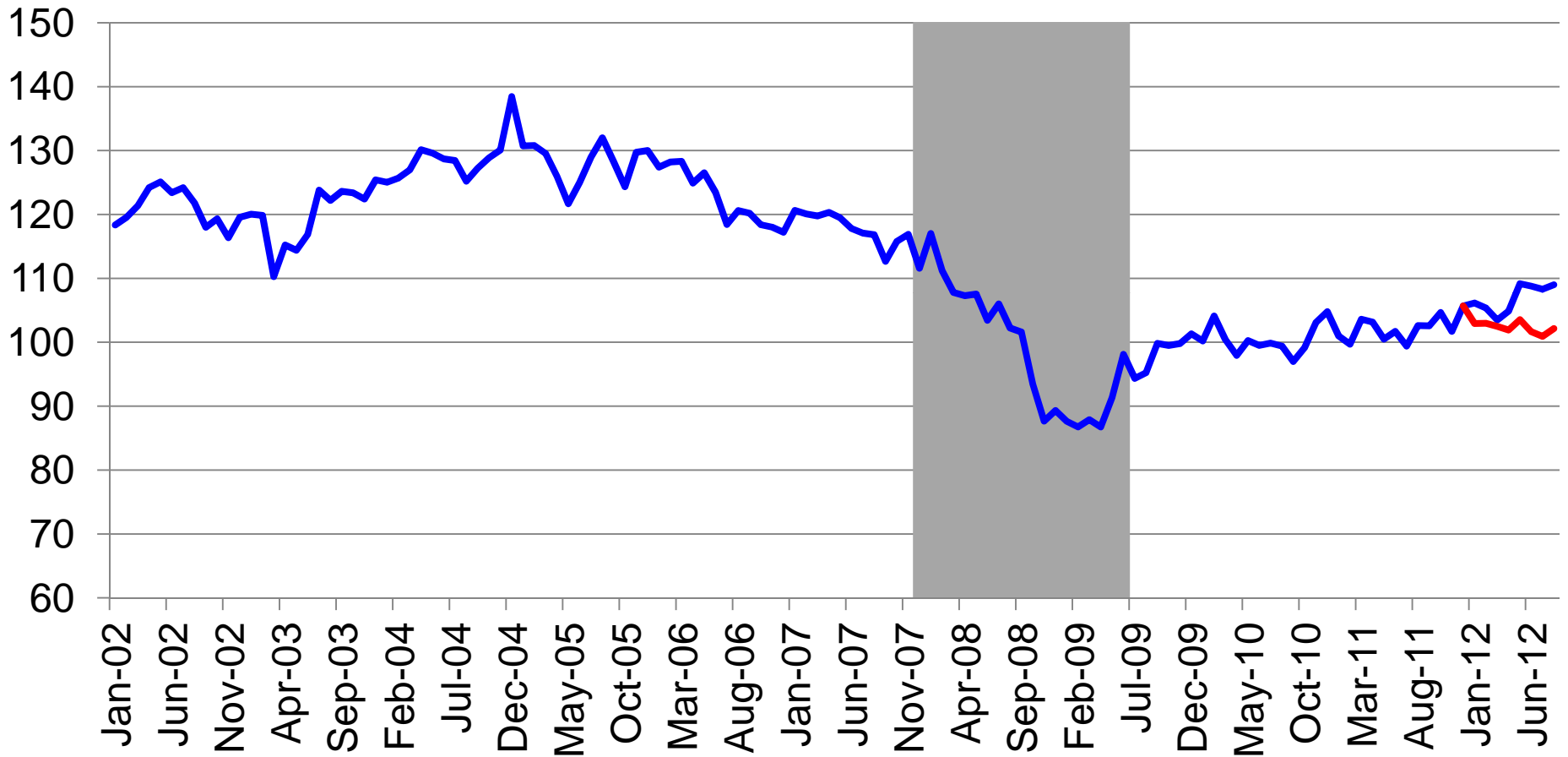
Source: Pikes Peak Association of Realtors® (PPRSCI) and UCCS Forum

Average Price of Homes Sold in the Pikes Peak Region



Source: Pikes Peak Association of Realtors® (PPRSCI) and UCCS Forum

Actual Business Conditions Index with Neutral Housing/Car Registrations

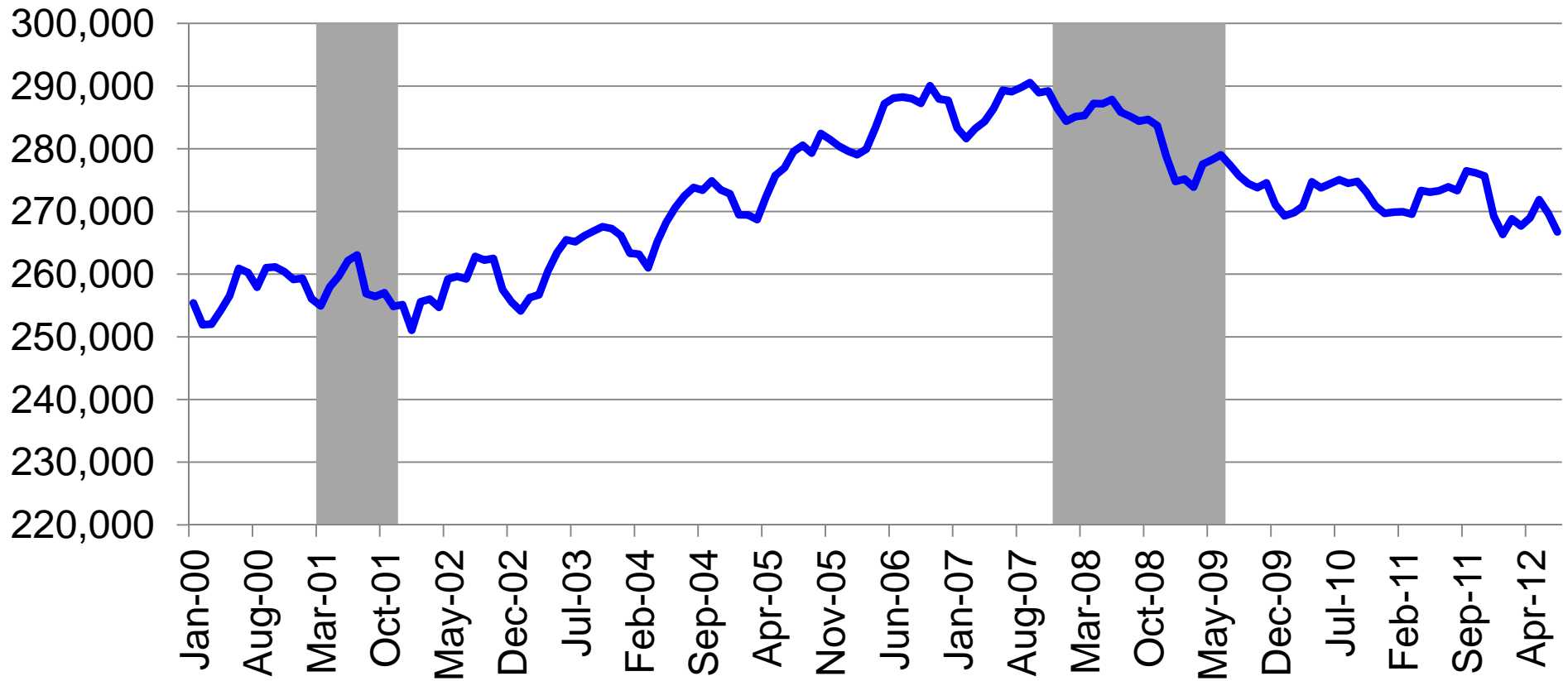


Source: UCSS Forum

The Not So Good!

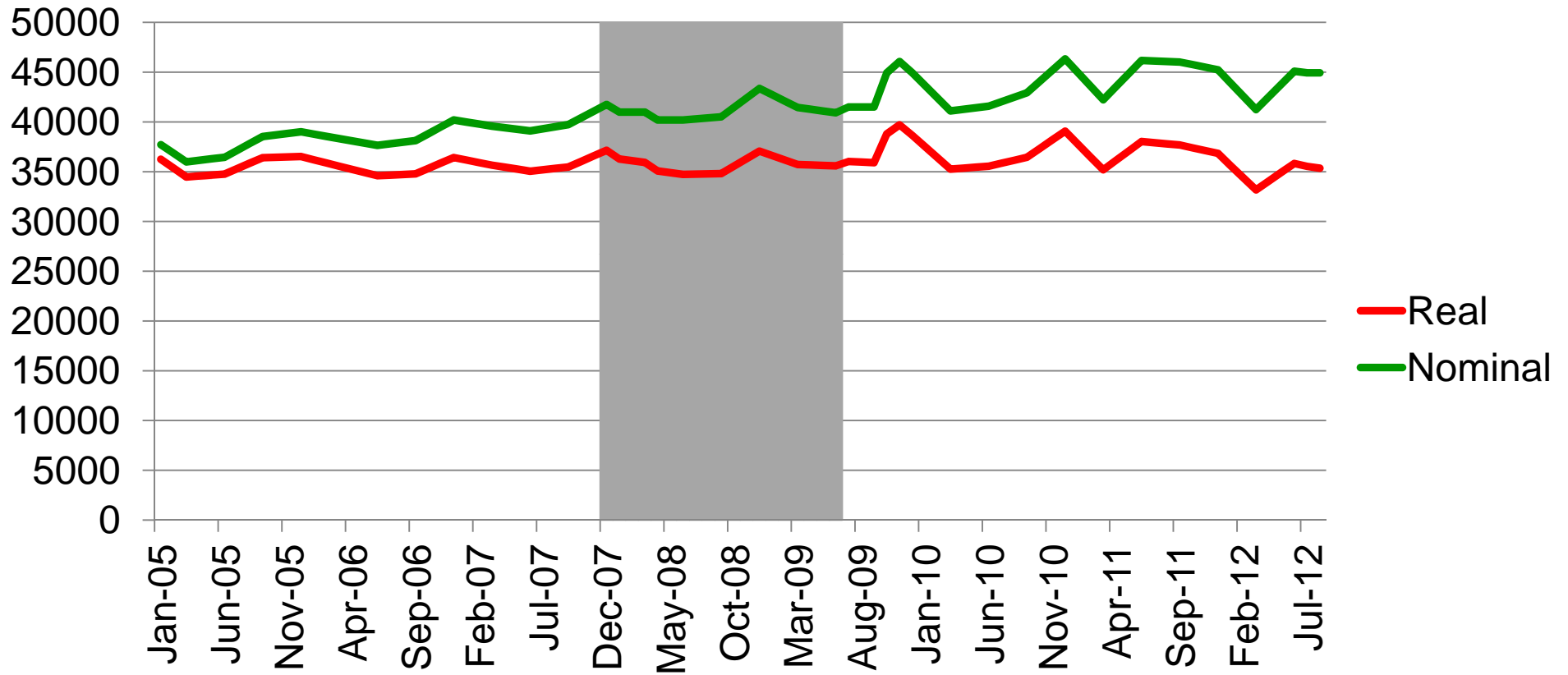
Problems with Employment

Employment Trends in El Paso County Jan 2000 – July 2012



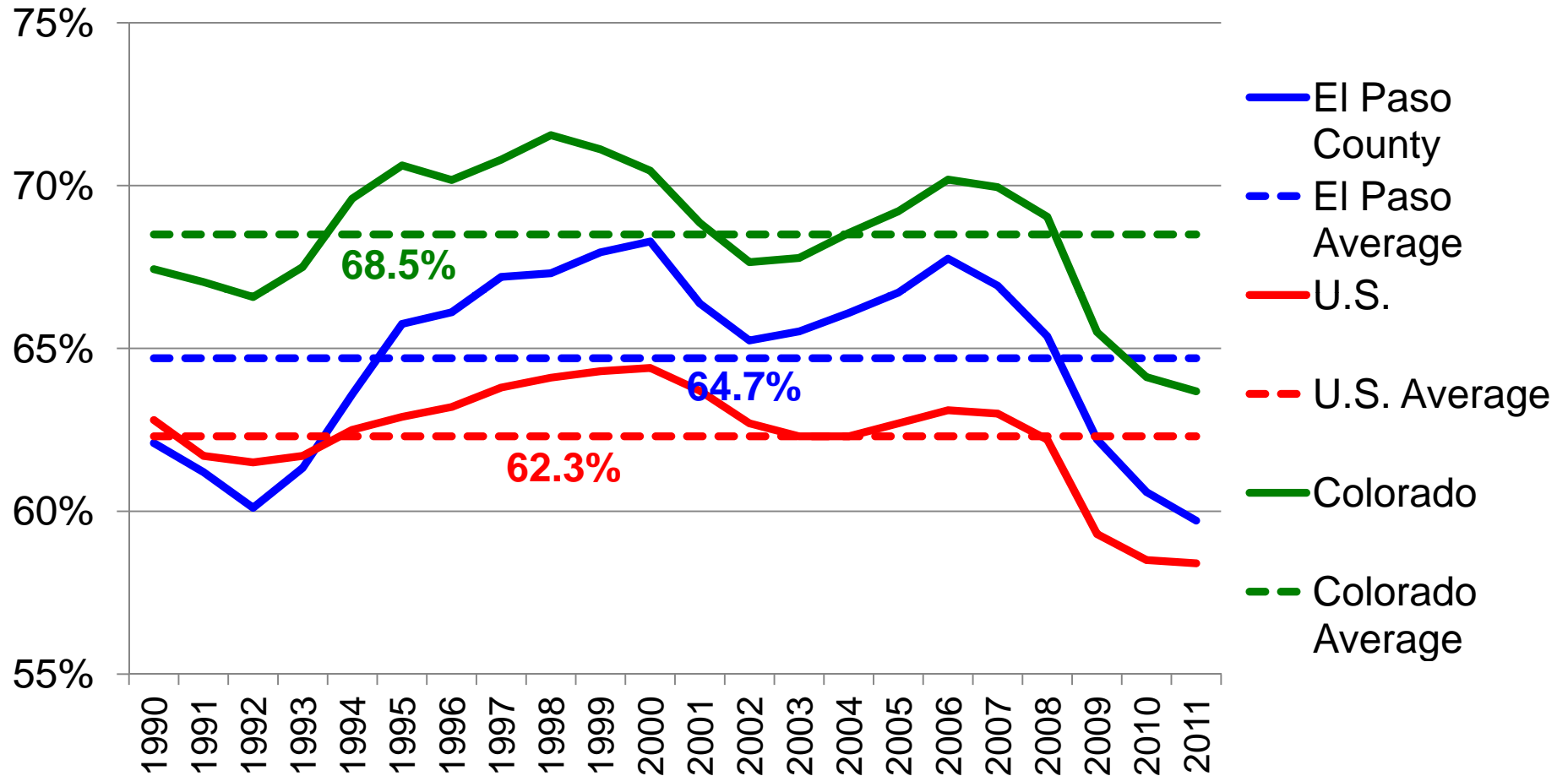
Source: Federal Reserve Bank of St. Louis

Average Annual Wage in El Paso County



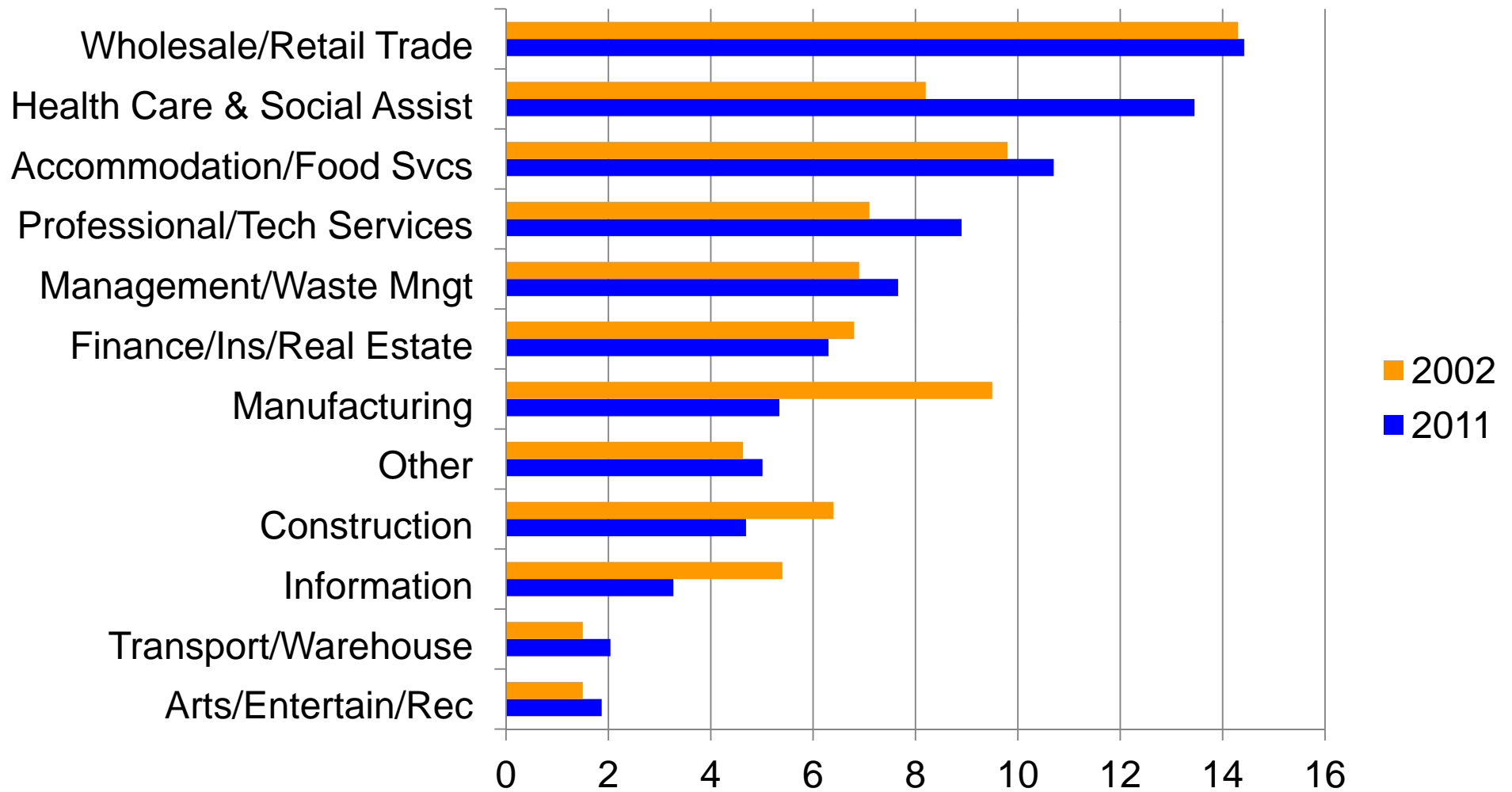
Source: Colorado LMI, U.S. BLS and UCCS Forum

Employment to Population Ratio (Non-Institutional Population 16 Years of Age and Over)



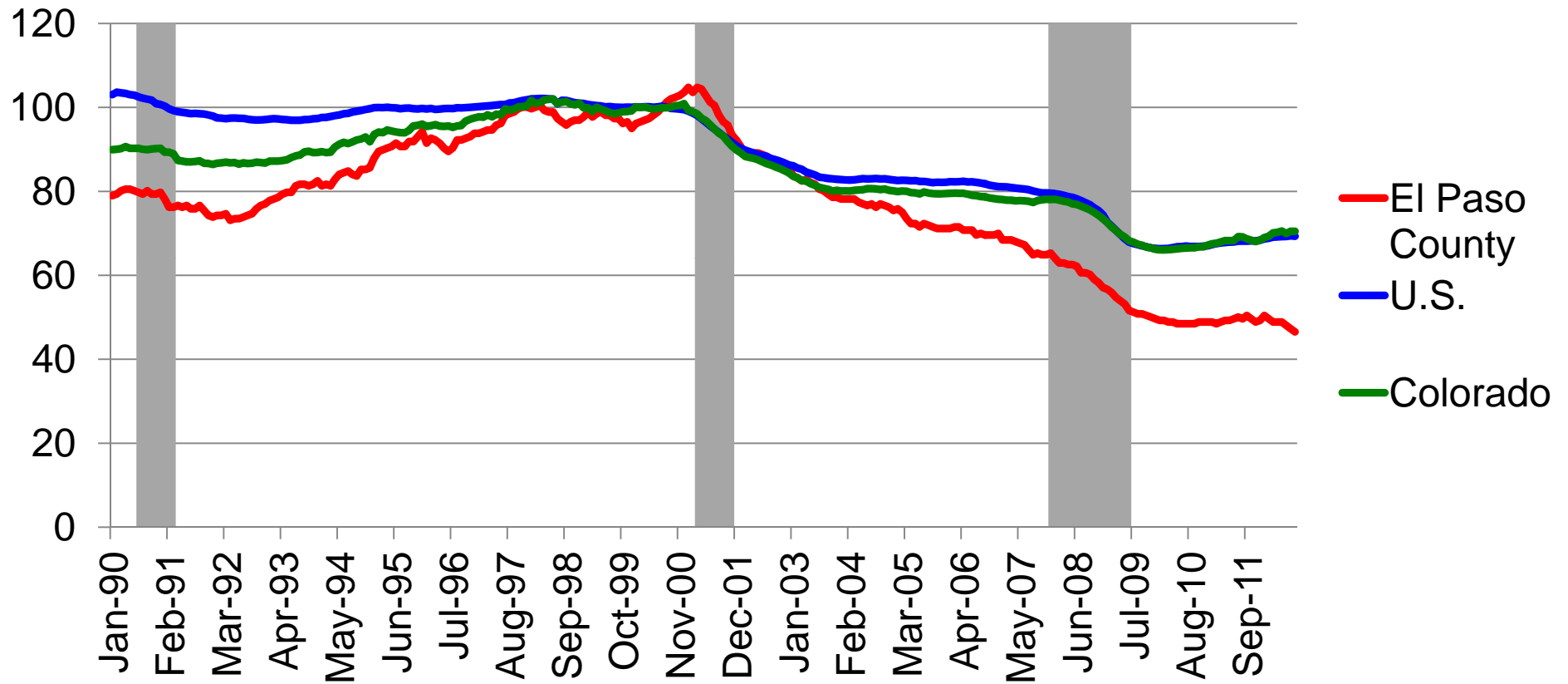
Source: Bureau of Labor Statistics

Private Sector Employment Mix (percents)



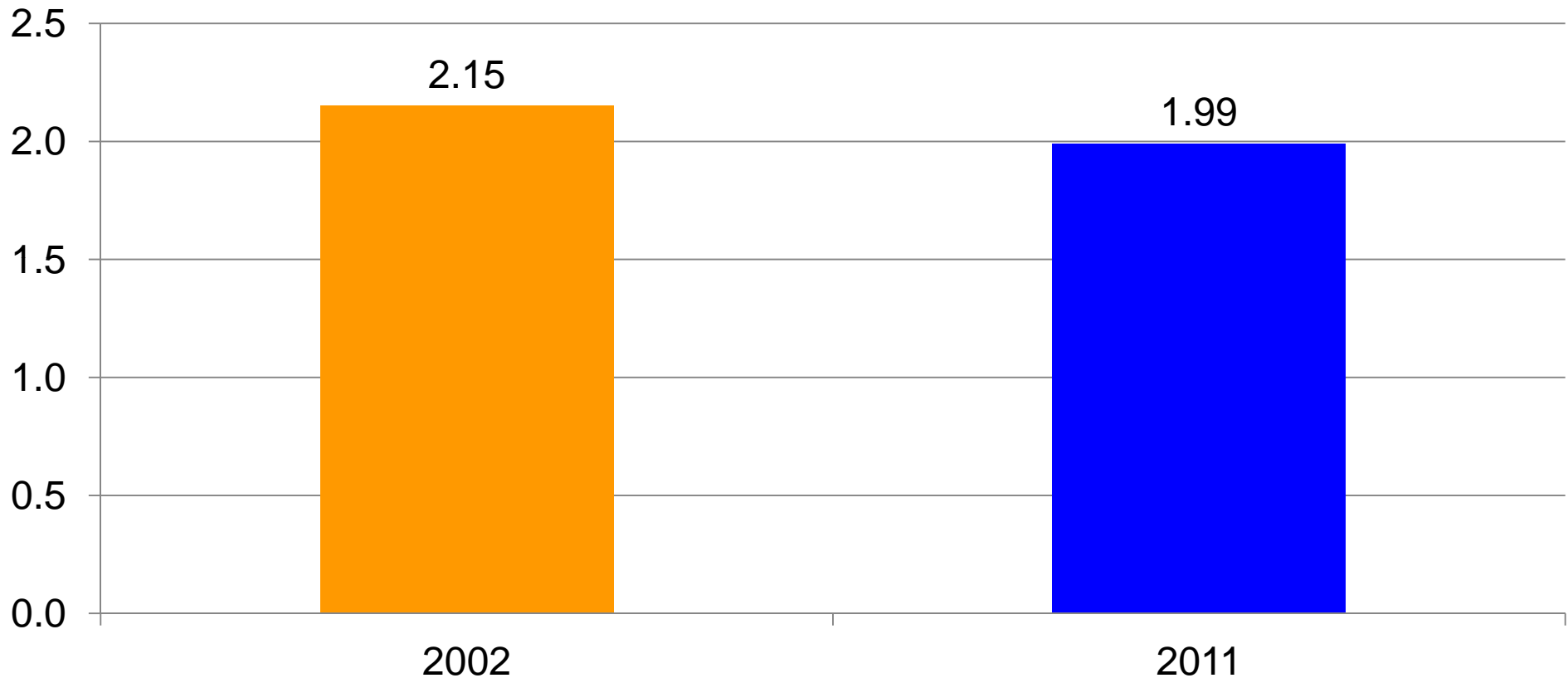
Source: Colorado LMI

Change in Manufacturing Employment (Mar 2001-Nov 2001 = 100)



Source: Federal Reserve Bank of St. Louis

Average Employment Multiplier in El Paso County

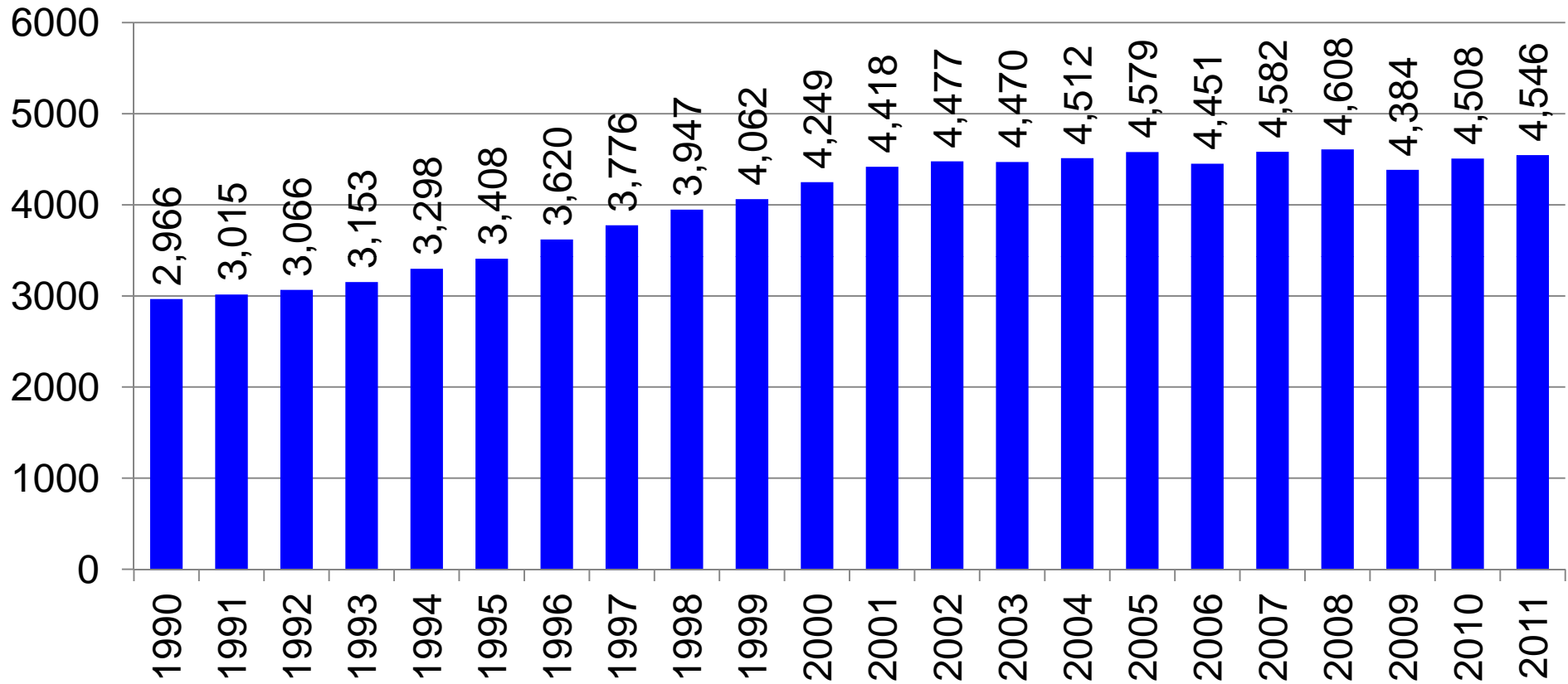


Source: Implan and UCCS Forum

Effects of the Decline in Economic Activity

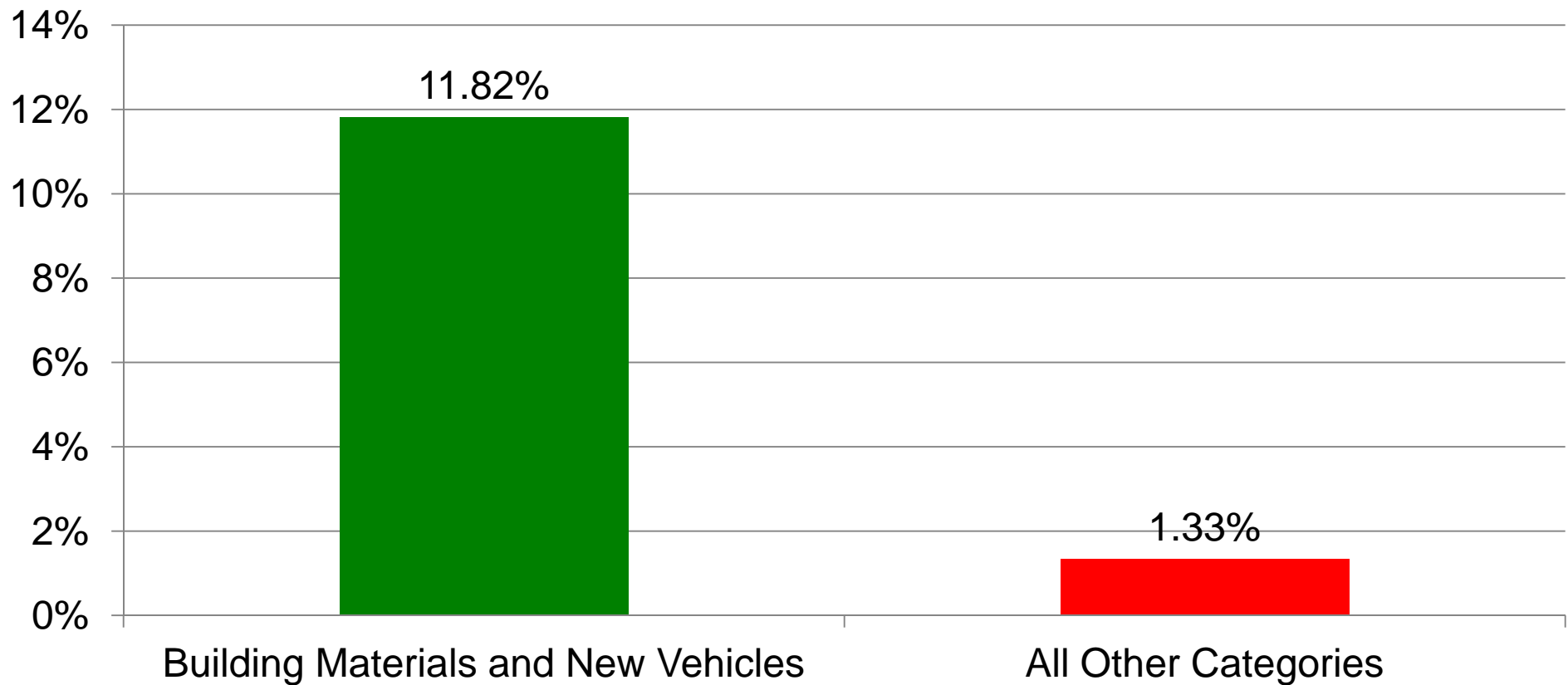
- Utilities
- Sales tax collections

Colorado Springs Utilities: Sales of Electricity in GWh



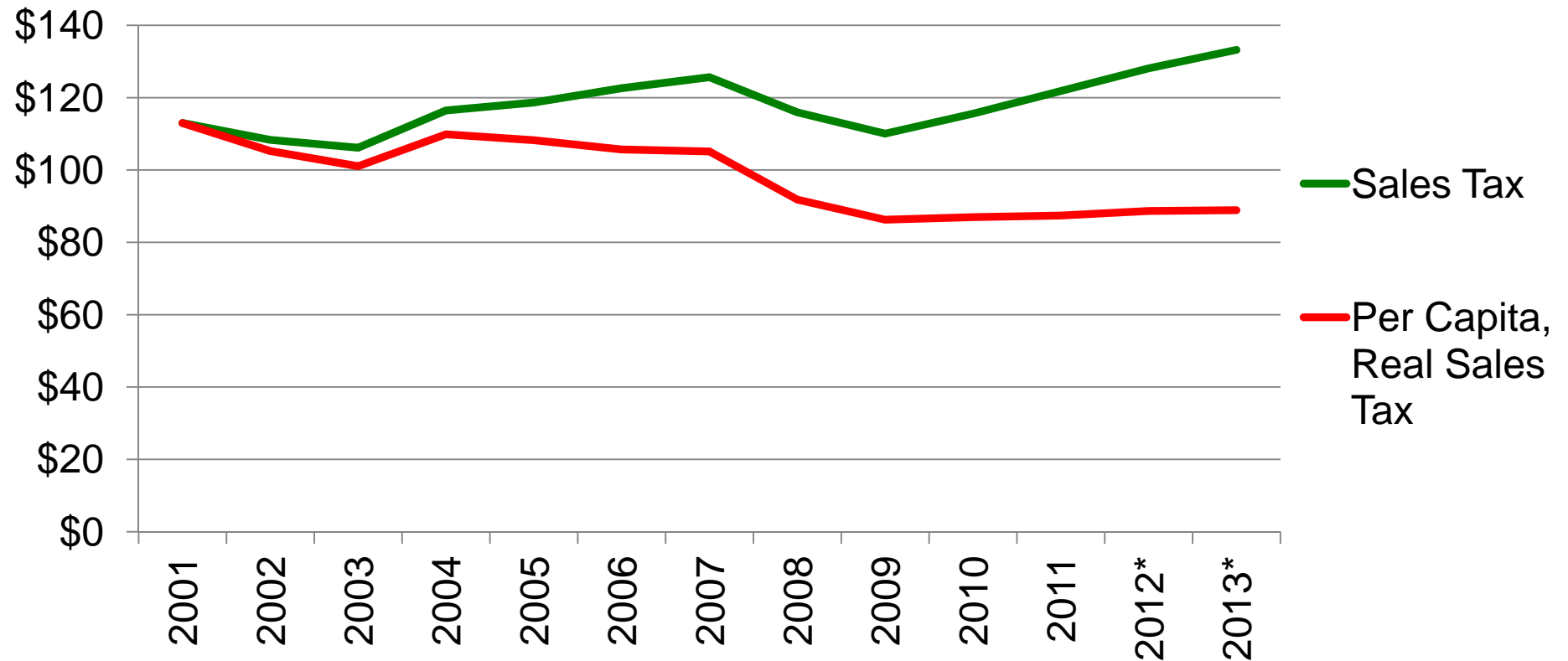
Source: Colorado Springs Utilities

Year to Date Growth Rates in Sales Tax Collections for Colorado Springs



Source: City of Colorado Springs and UCCS Forum

Colorado Springs Sales Tax Collections & Per Capita-Real Sales Tax Collections (\$millions)

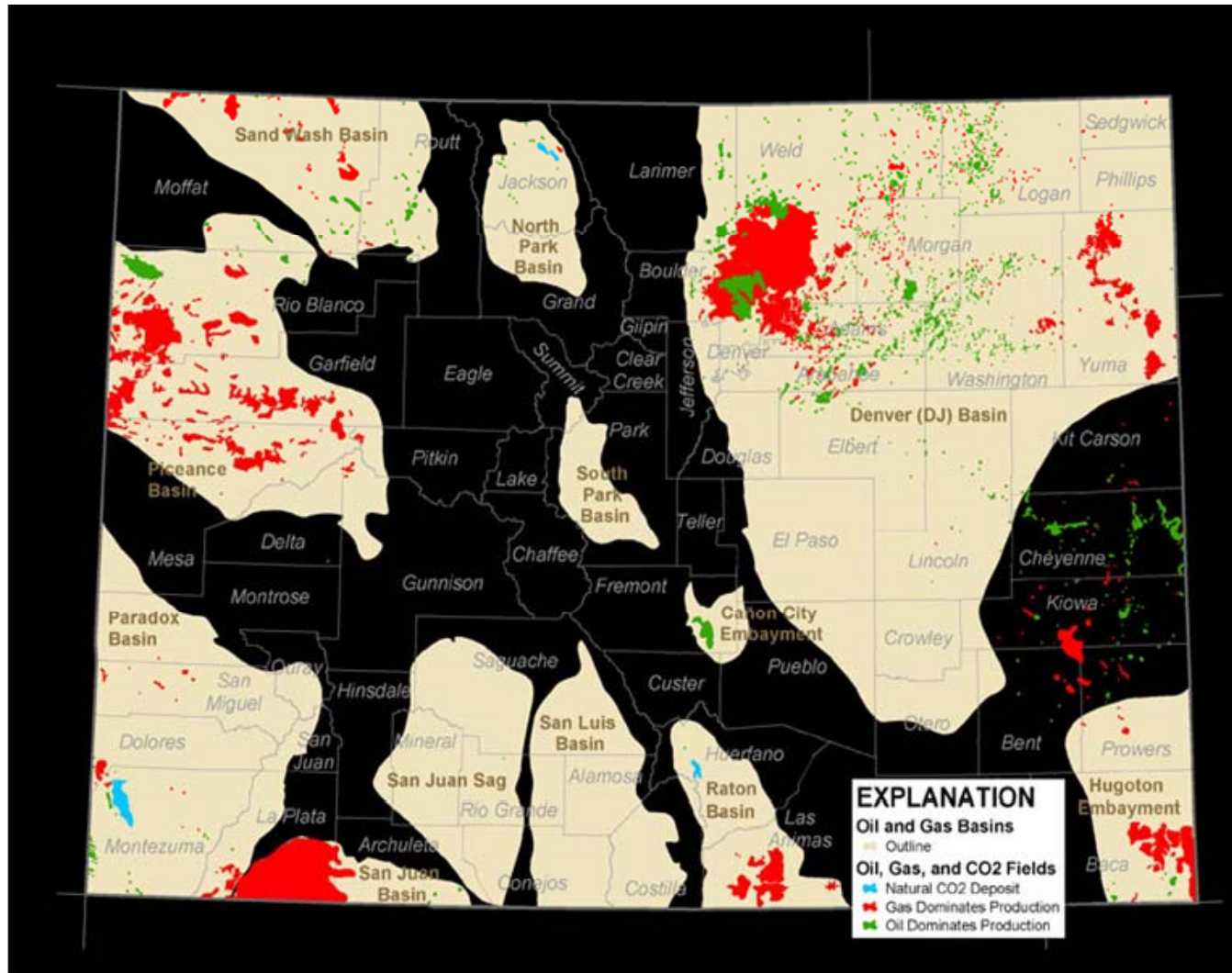


Source: City of Colorado Springs and UCCS Forum

New Opportunities

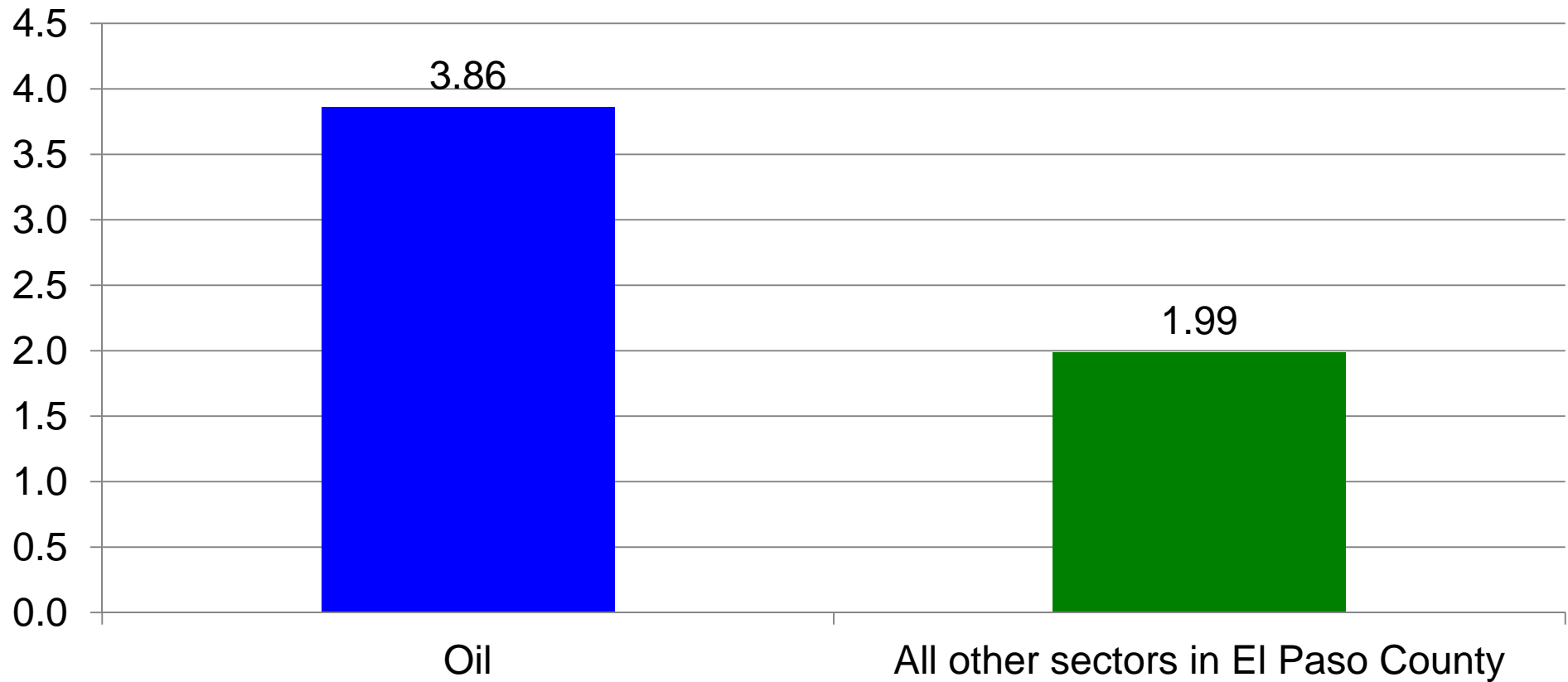
- Oil exploration and development
- Rebuilding of Mountain Shadows
- Health care sector

Oil Exploration and Development



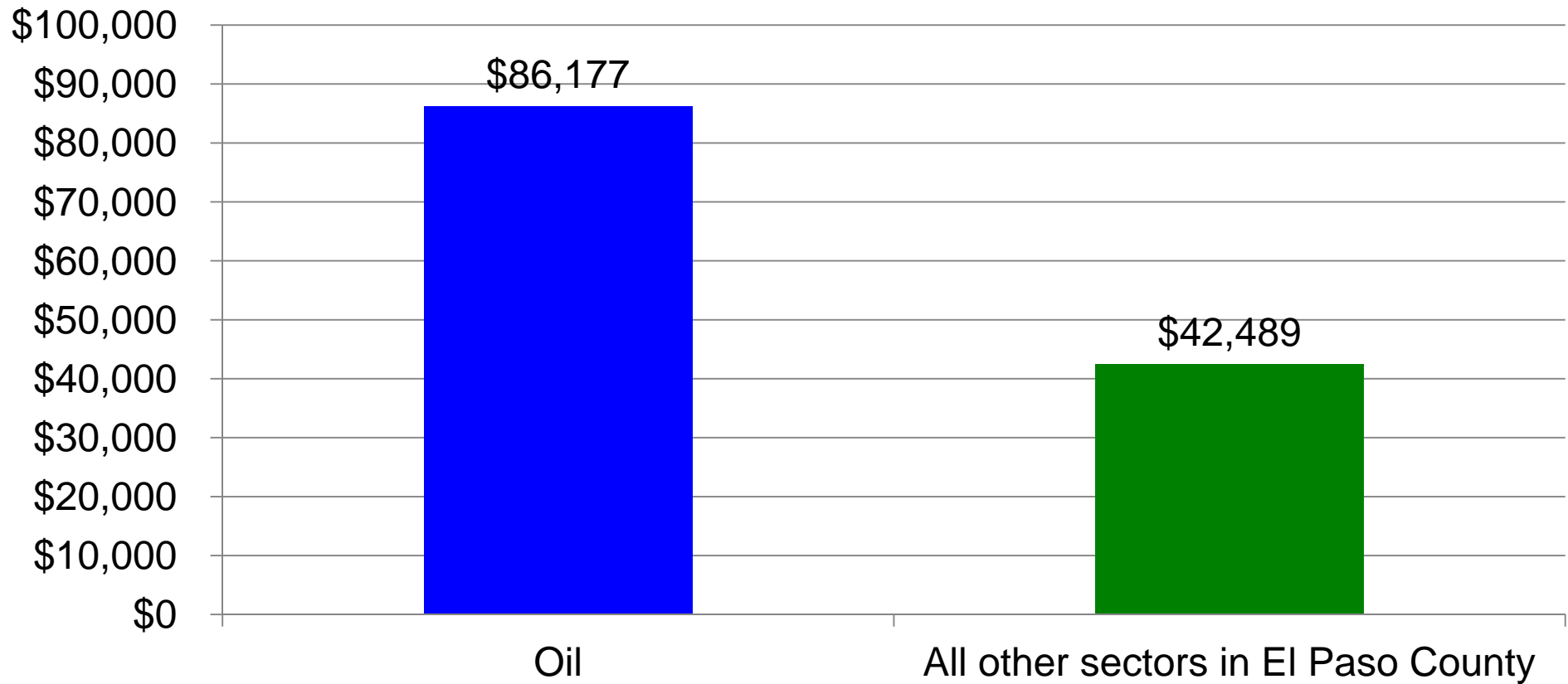
Source: USGS

Employment Multiplier



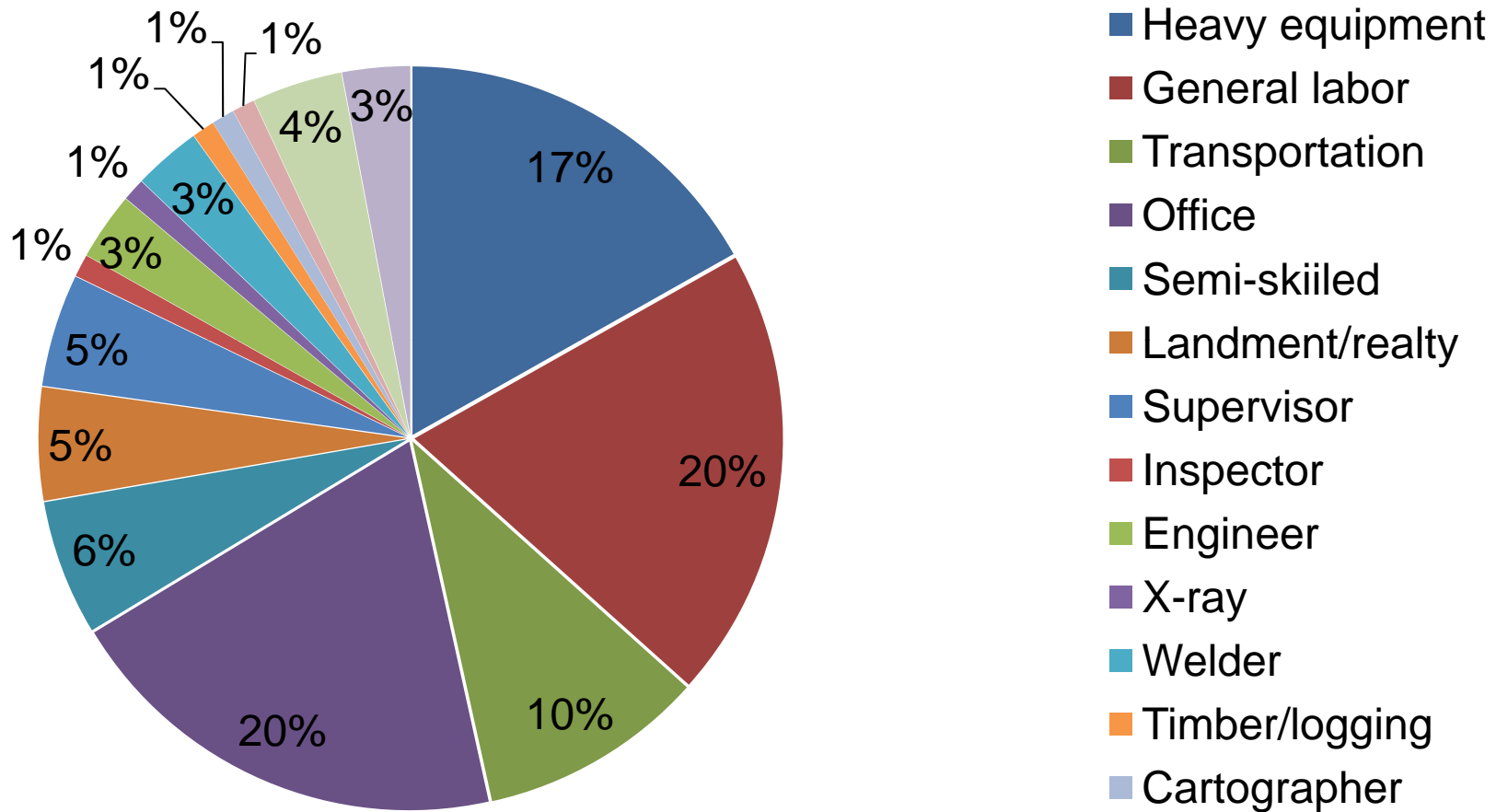
Source: *Advanced Drilling and Regional Energy Management, Ad Rem Project 2012*

Average Wage



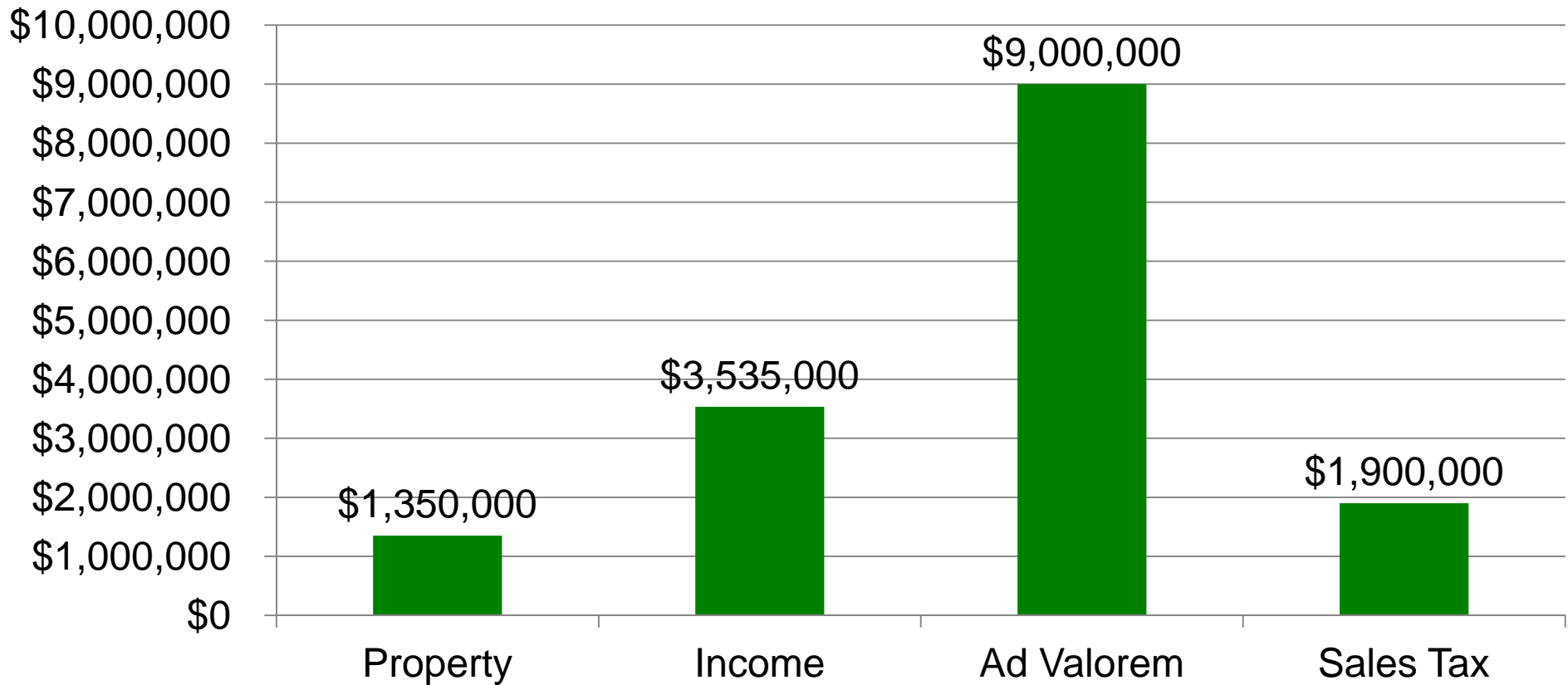
Source: *Advanced Drilling and Regional Energy Management, Ad Rem Project 2012*

Distribution of 5,200 Oil Exploration and Development Jobs



Source: *Advanced Drilling and Regional Energy Management, Ad Rem Project 2012*

Expected Tax Revenues from 1,500 Wells



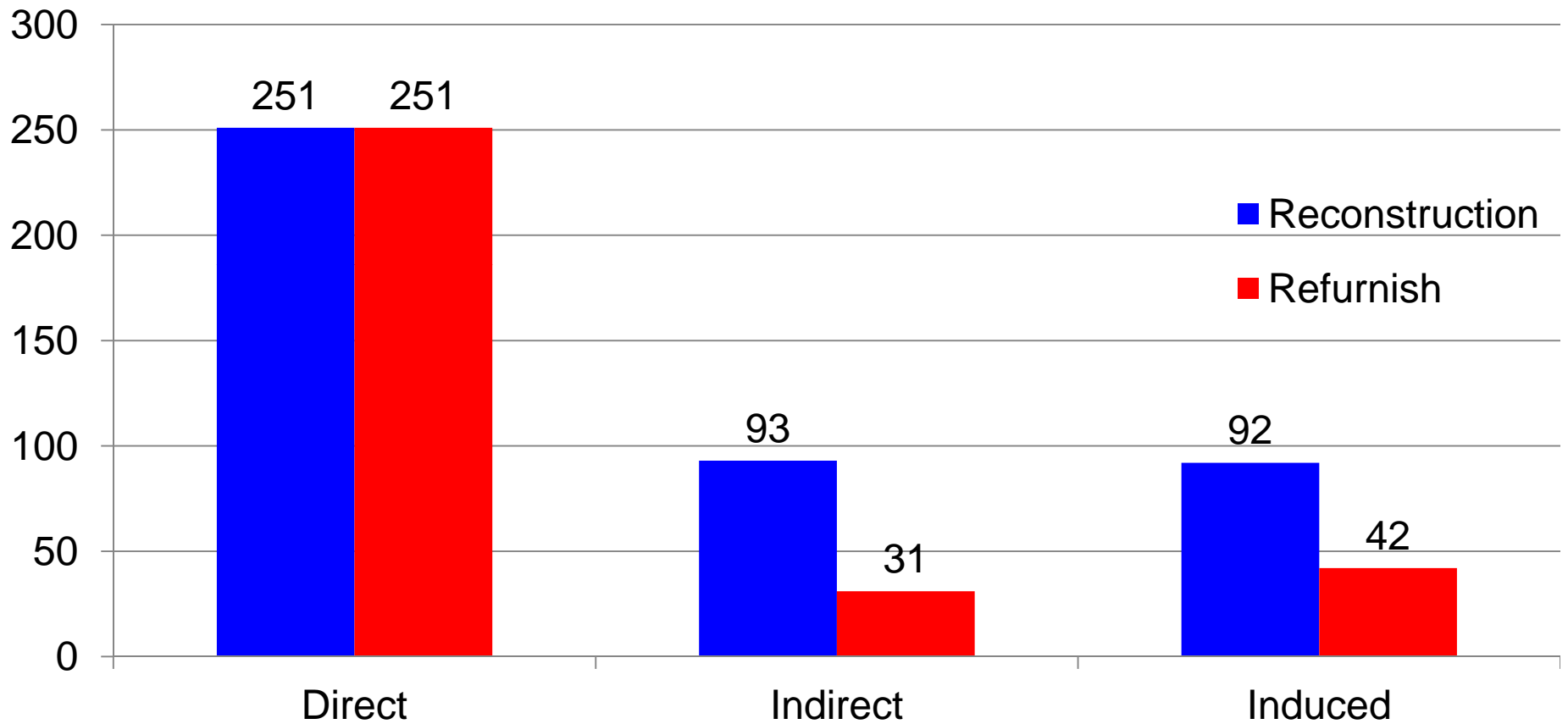
Source: *Advanced Drilling and Regional Energy Management, Ad Rem Project 2012*

Residential Reconstruction and Refurbishing in Mountain Shadows



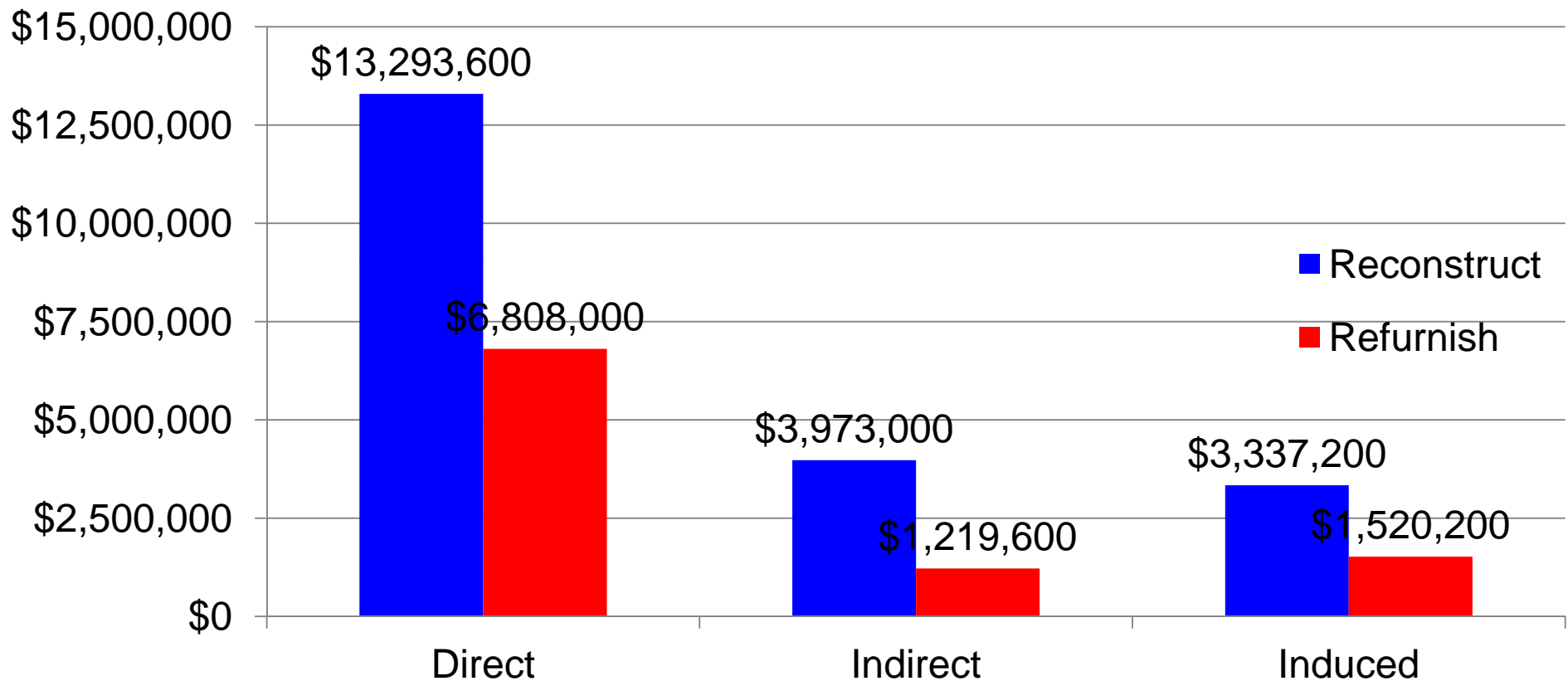
Courtesy of the Gazette

Jobs per Year for Five Years from Mountain Shadows Reconstruction & Refurnishing



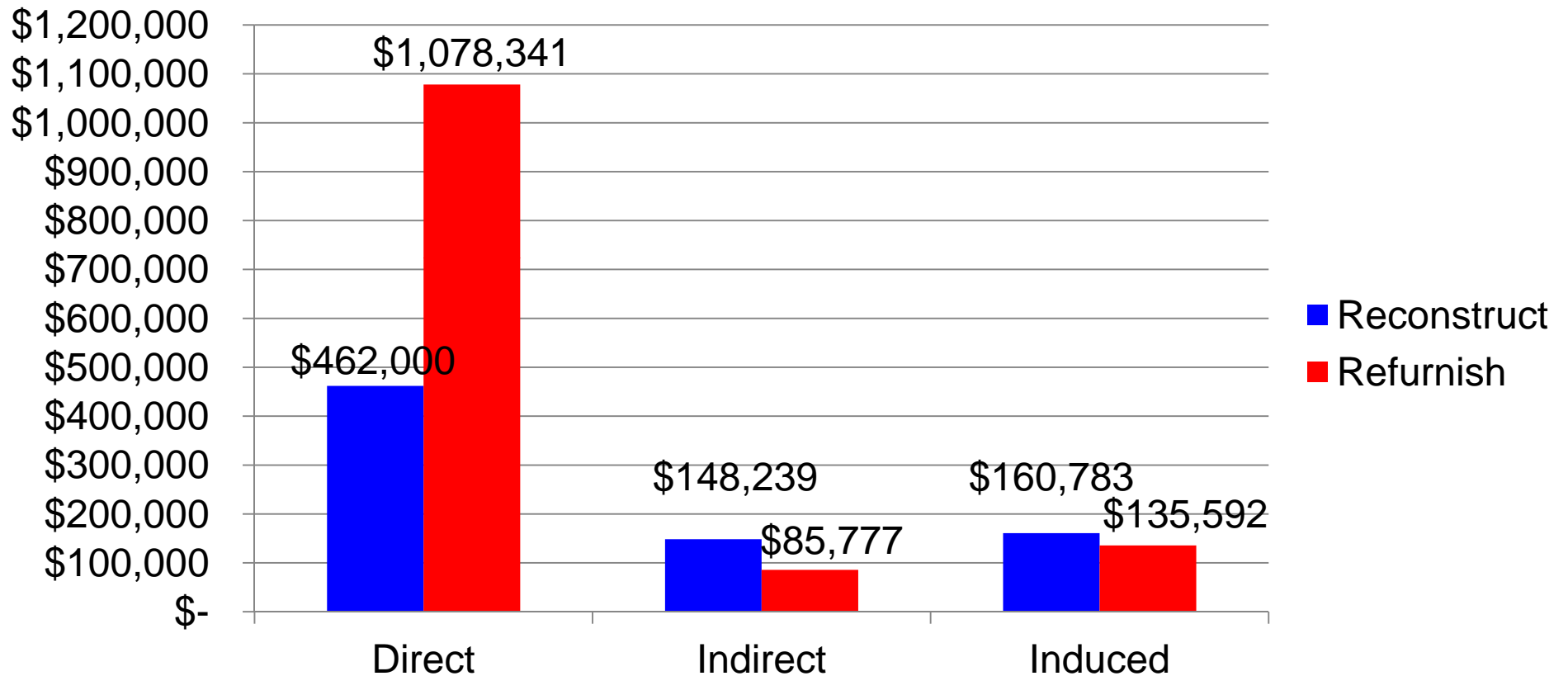
Estimates by UCCS Forum done with Implan

Income per Year for Five Years from Mountain Shadows Reconstruction & Refurnishing



Estimates by UCCS Forum done with Implan

Sales and Use Tax for Five Years from Mountain Shadows Reconstruction & Refurnish

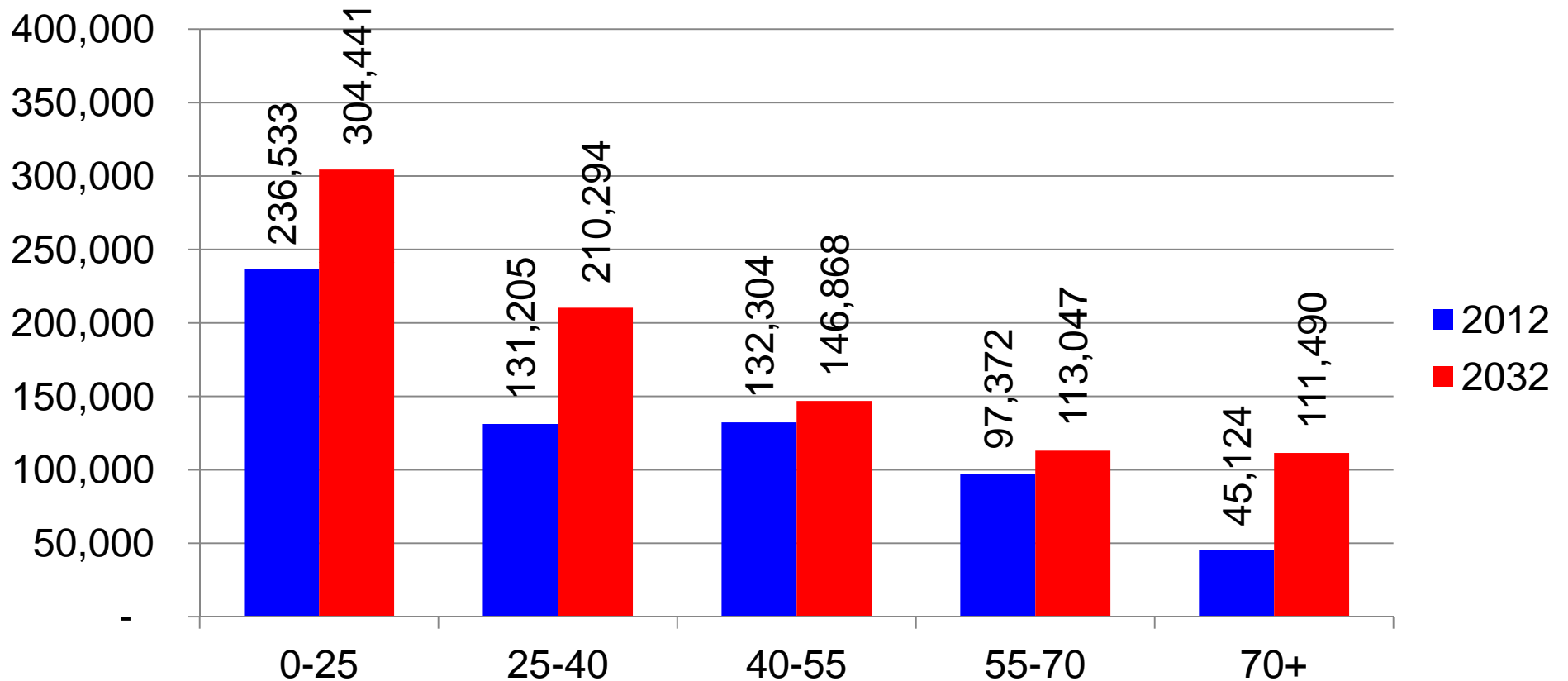


Estimates by UCCS Forum done with Implan

Health Care Issues and Opportunities

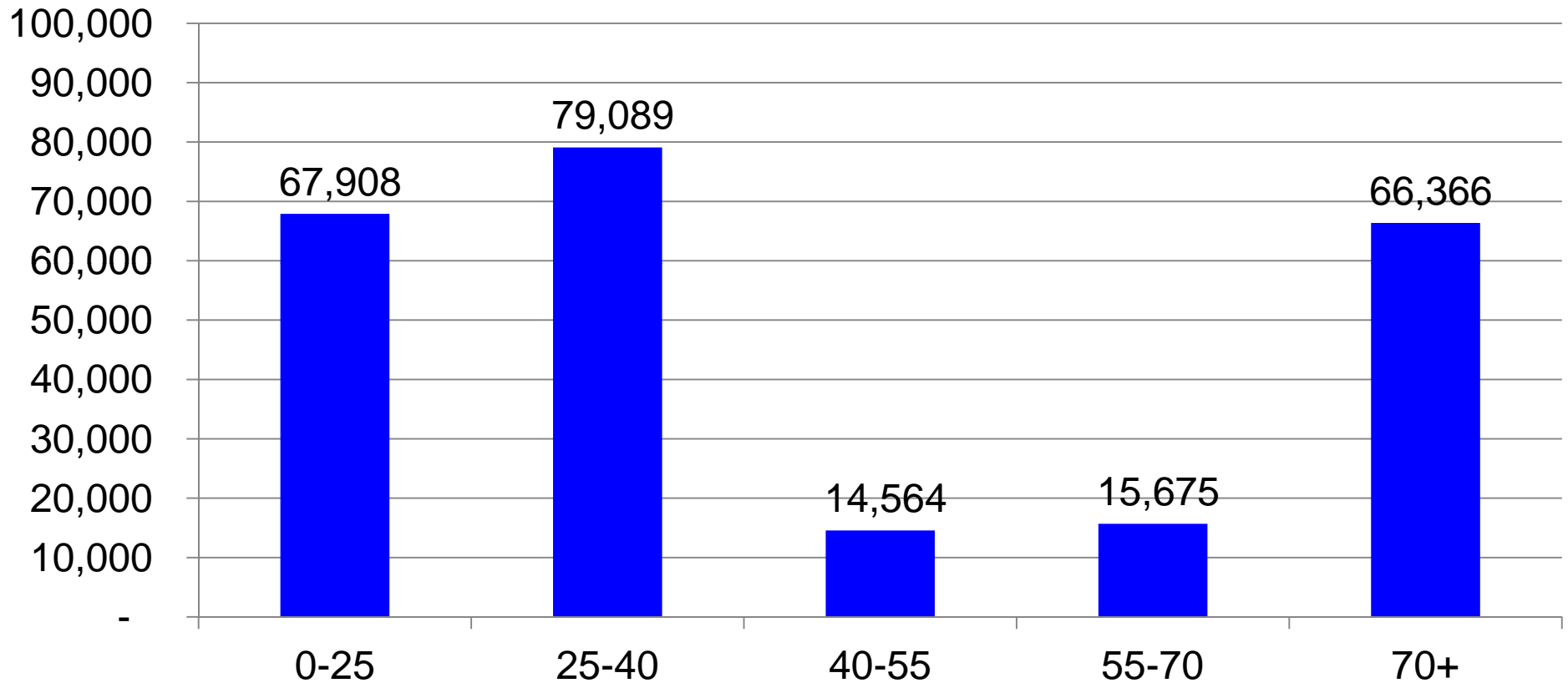


Population Projections by Age Group for El Paso County



Source: Colorado Division of Local Governments

Population Growth by Age Group



Source: Colorado Division of Local Governments

Lease of Memorial Hospital System to University Colorado Health

- Sample locations
- Effect of university hospitals on local economies
 - Employment
 - Income
 - Business growth
- Detailed wages
- Multipliers

Eight Sample University Areas

University Health System

- California Davis
- Duke
- Michigan
- Ohio State
- Pittsburgh
- Texas
- Vanderbilt
- Yale

MSA (2010 Population)

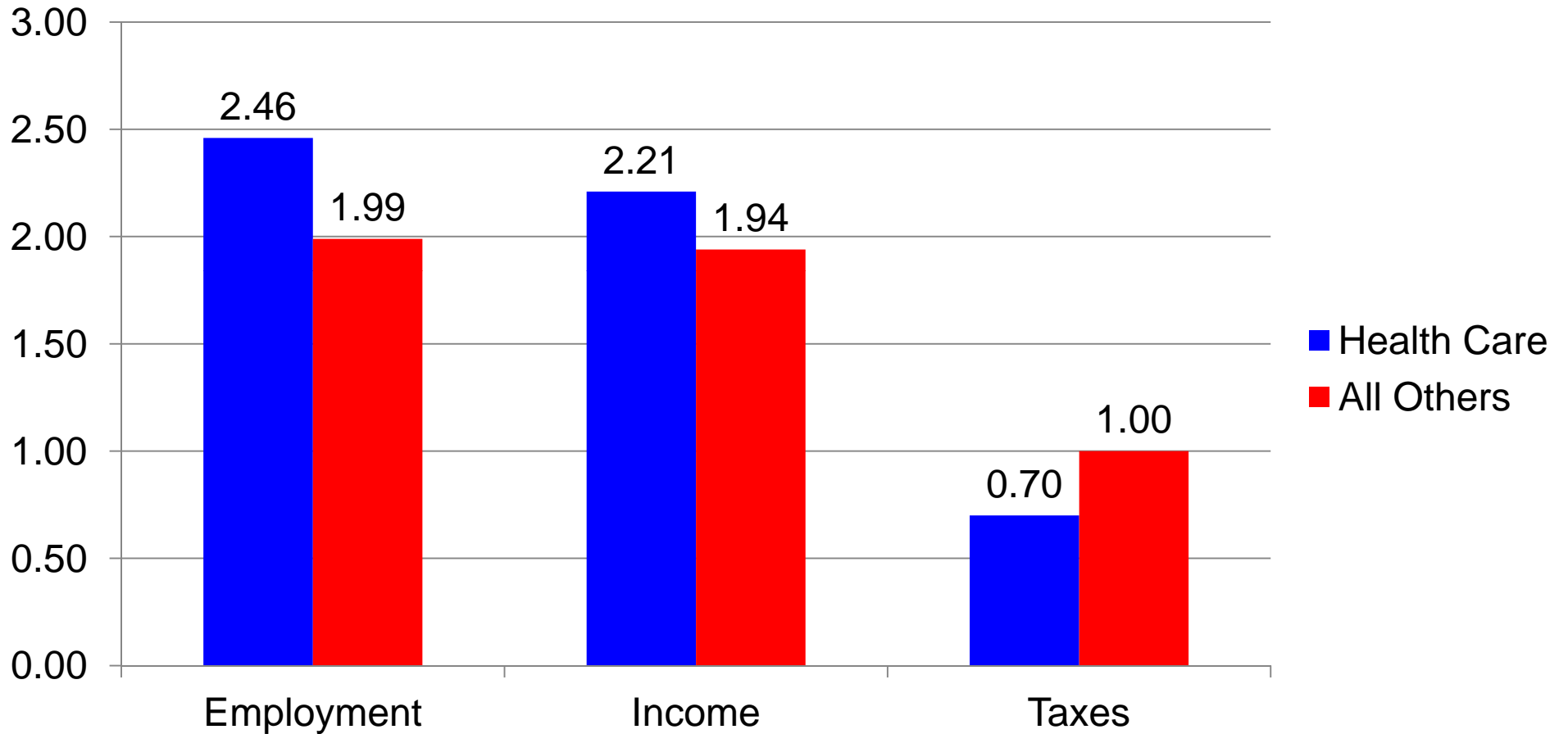
- Sacramento, CA (2,149,127)
- Durham, NC (504,357)
- Ann Arbor, MI (344,791)
- Columbus, OH (1,836,289)
- Pittsburgh, PA (2,356,285)
- Austin, TX (1,716,289)
- Nashville, TN (1,589,934)
- New Haven, CT (862,477)

Growth in Employment, Wages and Establishments in the Health Care Sector 1998-2010

	U.S.	Eight Sample University Areas	El Paso County
Panel A: Growth in Employment by Area			
All Employment	3,852,364	84,015	17,964
Health Care Sector	4,029,863	134,473	8,010
Health Care Growth as a Percent of Total Growth	104.6%	160.1%	44.6%
Panel B: Growth in Wages by Area			
All Employment	44.2%	43.7%	48.1%
Health Care Sector	47.2%	52.3%	49.5%
Panel C: Growth in Establishments by Area			
All Employment	454,806	5,988	2,793
Health Care Sector	163,452	3,758	595
Health Care Share of Growth	35.9%	62.8%	21.3%

Source: County Business Patterns

Health Care Multipliers for El Paso County



Source: Implan and UCCS Forum

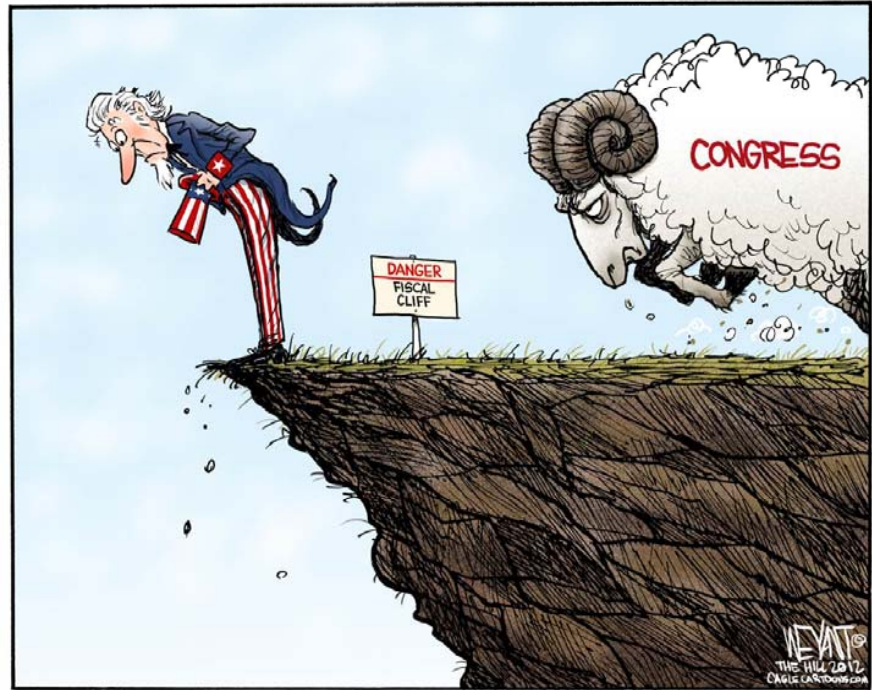
Employment and Average Wages in the Healthcare Sector (NAICS 62) in El Paso County 2011

NAICS		Employment	Average Wages
6211	Physicians offices	5,011	\$71,898
6212	Dental offices	2,185	44,419
6213	Offices of other health practitioners	2,110	33,186
6214	Outpatient care centers	1,085	52,944
6215	Medical & diagnostic labs	541	63,600
6216	Home health care services	1,827	27,848
6219	Other ambulatory health care	375	45,299
622	Hospitals	8,270	51,435
6231	Skilled nursing facilities	2,172	31,932
6232	Developmental disabilities, mental health & substance abuse places	241	28,500
6233	Assisted living & care facilities	1,457	24,556
6239	Other residential care facilities	428	28,721
624	Community food & housing, emergency	3,618	32,334
6244	Child day care services	1,948	20,241
62	Health care totals	31,266	44,557

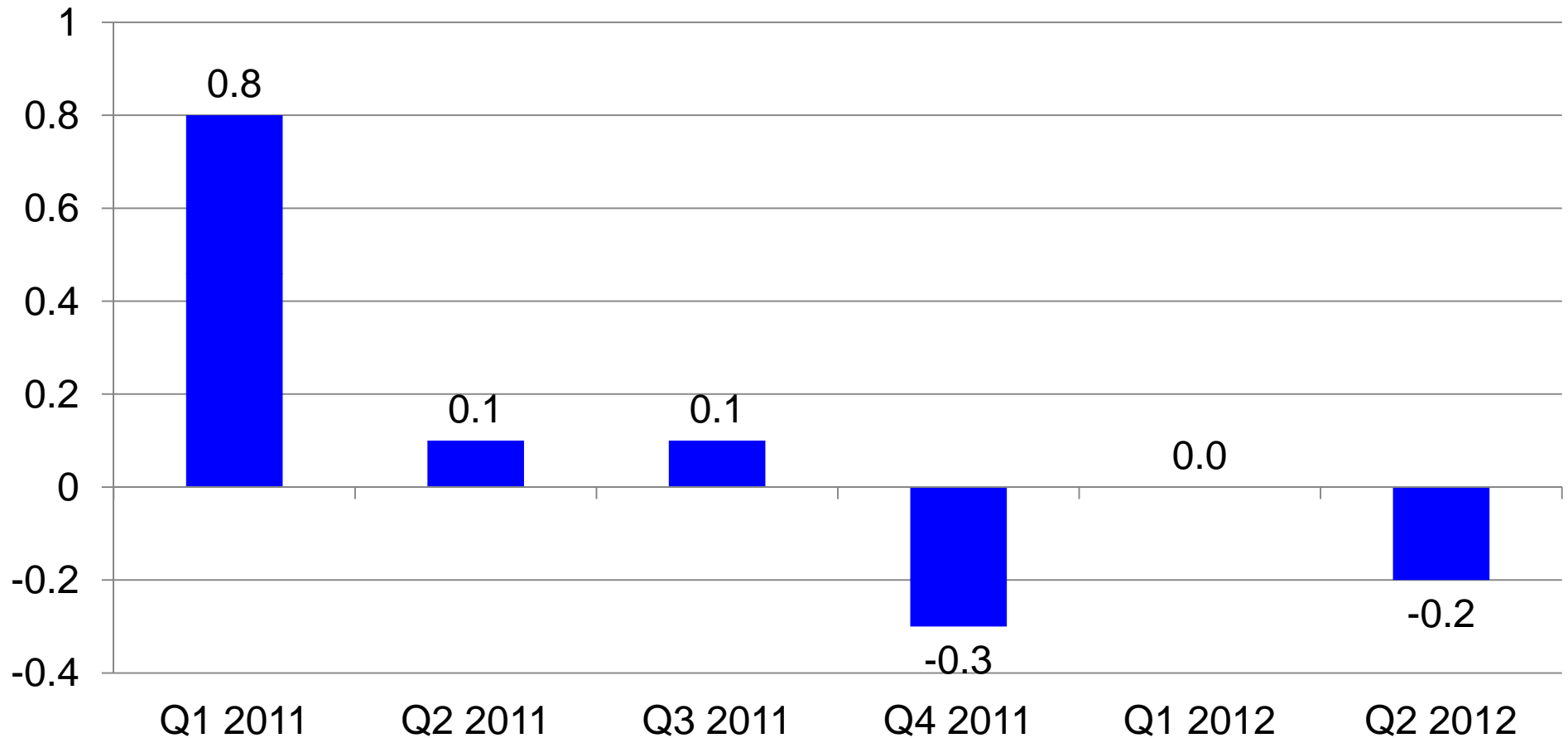
Source: Colorado Department of Labor, Quarterly Census of Employment and Wages

Fiscal Cliff

- International recession
 - Europe
 - China
 - Japan
- Bush era tax cuts
- Budget Control Act of 2011

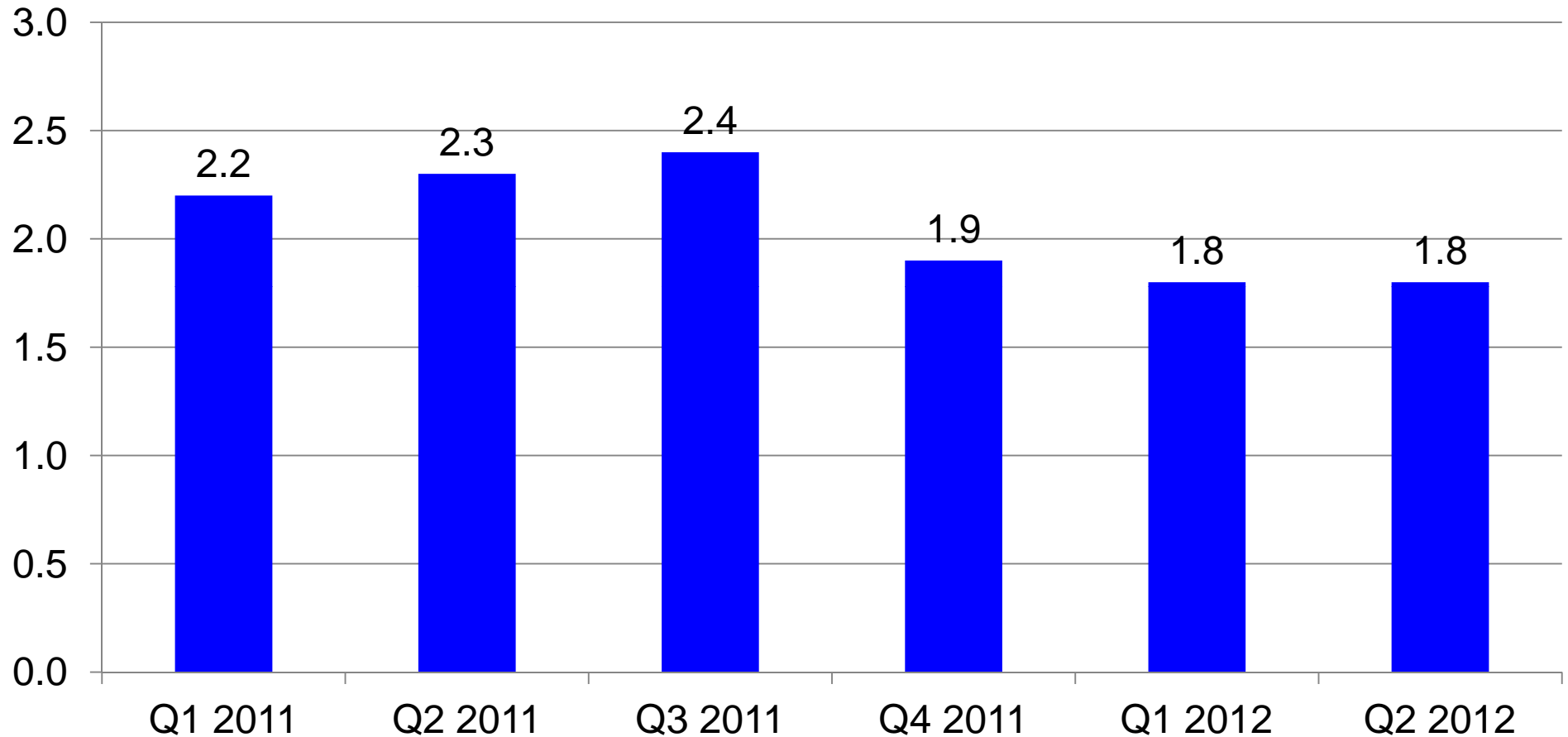


Quarter-to-Quarter GDP Growth in Europe



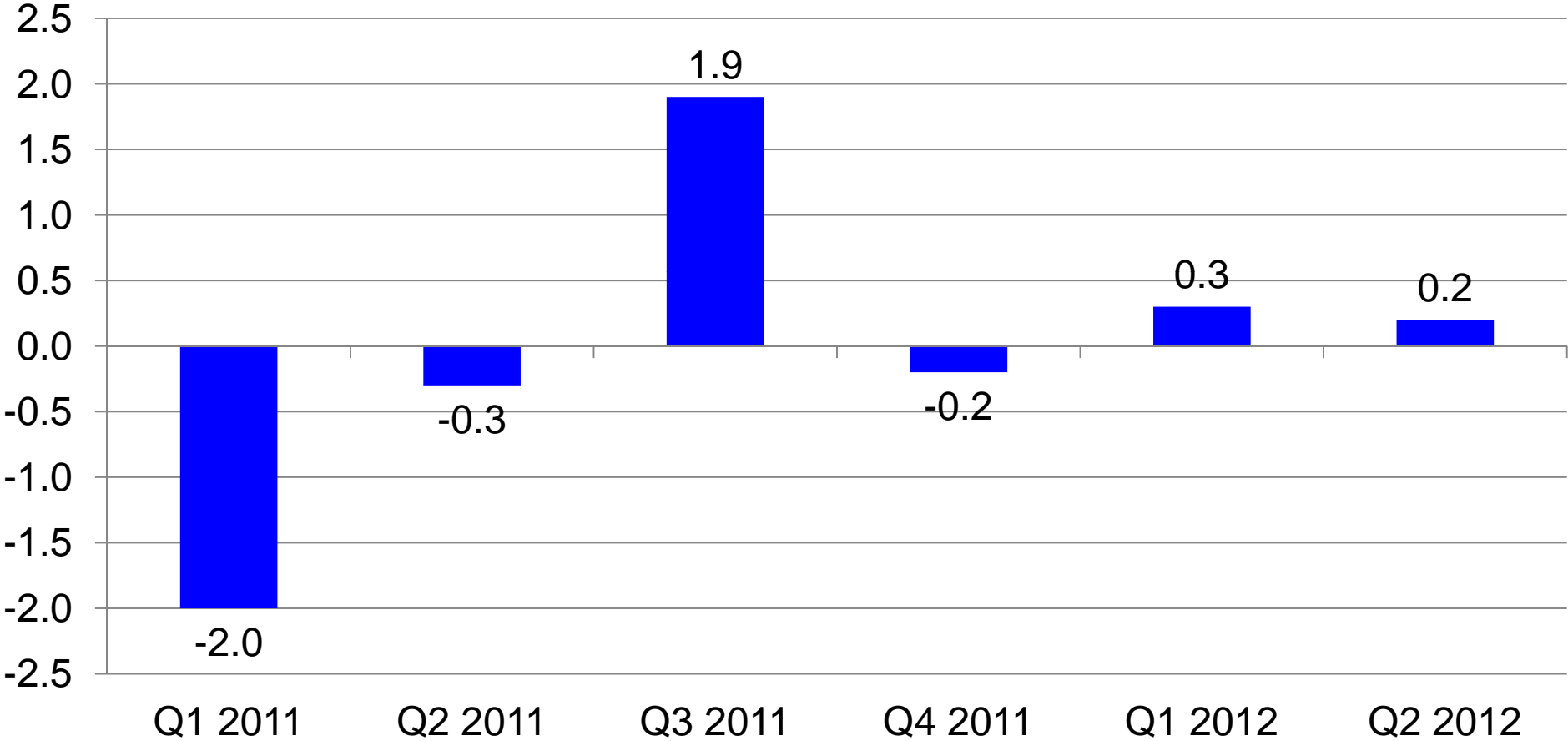
Source: www.tradingeconomics.com

Quarter-to-Quarter GDP Growth in China



Source: www.tradingeconomics.com

Quarter-to-Quarter GDP Growth in Japan



Source: www.tradingeconomics.com

What is the Fiscal Cliff in 2013?

Bush era tax cuts eliminated	\$440-\$600 Billion
Expiring social security tax reductions	\$60 Billion
Affordable Care Act taxes	\$6-\$10 Billion
Budget control act of 2011 reductions	\$150-\$170 Billion
Total	\$626-\$840 Billion

This would be a 4 to 5.4% drag on GDP growth
GDP growth goes from +1.7% to -2.3% to -3.7%

CBO Budget Deficit Projections 2012-22 Under Baseline Projections & Alternative Scenarios (\$billions)

	Baseline	Alternative	Difference
2012	\$1,128	\$1,128	
2013	641	1,037	\$396
2014	387	924	537
2015	213	810	597
2016	186	832	646
2017	123	833	710
2018	79	870	791
2019	130	1,003	873
2020	142	1,102	960
2021	144	1,200	1,056
2022	213	1,362	1,149
Totals 2013-2022	\$2,258	\$9,975	\$7,717

Source: "An update to the budget and economic outlook: fiscal years 2012 to 2022," Congressional Budget Office

Effect of Budget Cuts in El Paso County

- Military
 - Proportional share is \$550 million
 - National security missions may not be cut as much
 - \$275 million in cuts are very possible
- Discretionary
 - Proportional share is \$72 million
- Total cuts would be about \$350 million
- Multiplier effects could raise this to \$700 million
- This would reduce local GMP growth from +2.7% to -0.7%
- This would be a recession

Elimination of Bush Era Tax Cuts

- Per capita income analysis at changes in marginal income tax rates
- Federal taxes could increase by \$1 to \$1.2 billion per year
- This would reduce local GMP growth from 4% to -2%
- This would be a recession
- Combined with budget cuts, GMP growth could be -2.7% in 2013 (worst case scenario)

Forum Forecasts for El Paso County

	2011 Actual	2012 Estimate	2013 Forecast
Population growth	1.2%	1.2%	1.6%
Unemployment rate	9.2%	9.5%	9.2%
Gross metro product growth	2.6%	1.7%	0.8%
Non-agricultural employment growth	0.9%	0.5%	0.0%
Total wage & salary growth	2.8%	3.7%	1.2%
Average wage & salary growth	1.5%	3.2%	1.2%

Forum Forecasts for El Paso County

	2011 Actual	2012 Estimate	2013 Forecast
Consumer price index (national and state)	3.2%	2.2%	2.0%
	3.7%	2.5%	2.3%
Per capita personal income growth	1.2%	2.0%	1.6%
Retail trade growth	8.4%	5.8%	3.9%
Single family housing permit growth	-4.1%	47.5%	6.5%
Non-residential construction growth	227%	-30.6%	17.6%

UCCS

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