16th Annual
Southern Colorado Economic Forum

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

September 28, 2012
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: UCCS 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

1998: 6.1
1999: 6.9
2000: 6.9
2001: 7.7
2002: 10.3
2003: 12.2
2004: 13.8
2005: 13.3
2006: 14.5
2007: 19.8
2008: 25.3
2009: 29.9
2010: 25.2
2011: 22.5
2012*: 18.7
2013*: 16.7

Source: El Paso County Public Trustee
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® (PPRSCl) 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: UCCS 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)

- Wholesale/Retail Trade
- Health Care & Social Assist
- Accommodation/Food Svcs
- Professional/Tech Services
- Management/Waste Mngt
- Finance/Ins/Real Estate
- Manufacturing
- Other
- Construction
- Information
- Transport/Warehouse
- Arts/Entertain/Rec

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

Oil: $86,177
All other sectors in El Paso County: $42,489

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

Direct
- Reconstruct: $13,293,600
- Refurnish: $6,808,000

Indirect
- Reconstruct: $3,973,000
- Refurnish: $1,219,600

Induced
- Reconstruct: $3,337,200
- Refurnish: $1,520,200

Estimates by UCCS Forum done with Implan
Sales and Use Tax for Five Years from Mountain Shadows Reconstruction & Refurnish

- Direct: $462,000
- Indirect: $148,239
- Induced: $160,783

Estimates by UCCS Forum done with Implan
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

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

Source: County Business Patterns

[Logo: University of Colorado Colorado Springs]
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

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

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
What is the Fiscal Cliff in 2013?

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bush era tax cuts eliminated</td>
<td>$440-$600 Billion</td>
</tr>
<tr>
<td>Expiring social security tax reductions</td>
<td>$60 Billion</td>
</tr>
<tr>
<td>Affordable Care Act taxes</td>
<td>$6-$10 Billion</td>
</tr>
<tr>
<td>Budget control act of 2011 reductions</td>
<td>$150-$170 Billion</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$626-$840 Billion</strong></td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th></th>
<th>Baseline</th>
<th>Alternative</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$1,128</td>
<td>$1,128</td>
<td>$0</td>
</tr>
<tr>
<td>2013</td>
<td>641</td>
<td>1,037</td>
<td>$396</td>
</tr>
<tr>
<td>2014</td>
<td>387</td>
<td>924</td>
<td>537</td>
</tr>
<tr>
<td>2015</td>
<td>213</td>
<td>810</td>
<td>597</td>
</tr>
<tr>
<td>2016</td>
<td>186</td>
<td>832</td>
<td>646</td>
</tr>
<tr>
<td>2017</td>
<td>123</td>
<td>833</td>
<td>710</td>
</tr>
<tr>
<td>2018</td>
<td>79</td>
<td>870</td>
<td>791</td>
</tr>
<tr>
<td>2019</td>
<td>130</td>
<td>1,003</td>
<td>873</td>
</tr>
<tr>
<td>2020</td>
<td>142</td>
<td>1,102</td>
<td>960</td>
</tr>
<tr>
<td>2021</td>
<td>144</td>
<td>1,200</td>
<td>1,056</td>
</tr>
<tr>
<td>2022</td>
<td>213</td>
<td>1,362</td>
<td>1,149</td>
</tr>
<tr>
<td>Totals 2013-2022</td>
<td>$2,258</td>
<td>$9,975</td>
<td>$7,717</td>
</tr>
</tbody>
</table>

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)
<table>
<thead>
<tr>
<th></th>
<th>2011 Actual</th>
<th>2012 Estimate</th>
<th>2013 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population growth</td>
<td>1.2%</td>
<td>1.2%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>9.2%</td>
<td>9.5%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Gross metro product growth</td>
<td>2.6%</td>
<td>1.7%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Non-agricultural employment growth</td>
<td>0.9%</td>
<td>0.5%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total wage &amp; salary growth</td>
<td>2.8%</td>
<td>3.7%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Average wage &amp; salary growth</td>
<td>1.5%</td>
<td>3.2%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>
## Forum Forecasts for El Paso County

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