Legislative Council
Denver, Colorado

Colorado Economic Chronicle

Tom Dunn
Chief Economist

Kerryn Duran
Staff Assistant

March 29, 2001

National Economy

by Natalie Mullis

Inflation-adjusted gross domestic product (**GDP**) grew 1.1% for the fourth quarter of 2000, slightly less than the 1.4% pace that was initially reported. Despite substantial slowing in the second half of the year, GDP increased 5.0% in 2000, the biggest gain since 1984, after increasing 4.2% in 1999. During the fourth quarter of 2000, GDP growth was aided by consumer spending increases, but hindered by a decrease in exports and business investment. Consumer spending increased 2.8% in the fourth quarter of 2000, after increasing 4.5% in the third quarter. Meanwhile, business investment on equipment and software declined in the fourth quarter, while government spending increased.

"The markets influence the economy in several ways and are generally considered to be more important to the economy's performance than 20 years ago."

The stock markets are in a major retreat. The markets influence the economy in several ways and are generally considered to be more important to the economy's performance than 20 years ago. Nearly one-half of the nation's households have stock holdings. During the latter half of the 1990s, the consumer spending binge that fueled rapid economic growth was buoyed in part by consumers' increased sense of financial freedom as their wealth expanded and capital gains rolled in. In addition, the stock market became a source of capital for many new economy firms, which helped fuel business investment. However, now that the stock market seems firmly entrenched in bear territory, these effects may be reversing themselves. While consumer spending is still holding ground, it is weakening, and business investment has languished for several months. Partially in response to these economic events, the Federal Reserve Board cut interest rates by 100 basis points in January and another 50 basis points in March.

Employment growth is sure and steady among most industries, although not necessarily robust. Total **employment** increased by 135,000 jobs in February. Job gains occurred in every sector except manufacturing, and were concentrated in the retail trade and service industries. Manufacturing continued to suffer, losing 94,000 jobs in February and 96,000 jobs in January. In addition, the number of overtime hours worked by manufacturing employers fell. Meanwhile, the **unemployment rate** held steady at 4.2% in February. The unemployment rate for the least skilled sector of the workforce, those with less than a high school degree, rose from 6.8% in January to 7.7% in February. The unemployment rates for those with a high school degree and those with a college degree held steady at 3.8% and 1.6%, respectively. With less heady growth in employment and softening in the manufacturing and some technology sectors, the labor shortage may be weakening slightly.

High energy prices, a faltering stock market, and increasing reports of layoffs are translating into weaker **consumer spending**. *Retail sales* declined 0.2% in February after increasing at a relatively healthy rate of 1.3% in January. *Consumer confidence* in February, although nowhere near historic lows, was 25% lower than its peak in May 2000 after five consecutive months of declines. However, consumer confidence surprisingly rebounded in March. Consumers were more optimistic about future economic conditions than in preceding months. Meanwhile, *personal income* increased 0.6% in January. Consumption grew faster than income, causing the saving rate to fall to -1.0 percent in January from -0.8% in December. A negative saving rate indicates that consumers are financing their spending from prior savings, debt, or by selling assets. The saving rate has been zero or negative for seven consecutive months. As a whole, consumers are not suffering, but have become increasingly wary of where the economic climate may be heading and thus are not spending as freely as they did a year ago.

"The manufacturing sector continues to flounder in recession with little hope of a quick recovery."

The **manufacturing** sector continues to flounder in recession with little hope of a quick recovery. The *National Association of Purchasing Manager's Index* indicated contraction for the seventh consecutive month in February. The index rose slightly to 41.9% in February from 41.2% in January. An index below 50% indicates that the manufacturing sector is contracting, and some analysts believe that an index below 43% may indicate contraction in the general economy. *Durable goods orders* tumbled 6.0% in January, although most of the decline occurred in the volatile transportation equipment sector. In addition, *factory orders* declined 3.8% in January, while *industrial production* declined 0.6%. Meanwhile, *business inventories* increased 0.4% in January, indicating that inventory corrections are not yet fully underway in the manufacturing sector.

The **construction** sector is healthy. *Construction spending* grew 1.5% in January, led by strong increases in industrial and commercial construction. Construction spending increased for the third consecutive month. *Existing home sales* fell 0.4% in February after a 3.8% gain in January. *New home sales* are also relatively healthy; sales declined somewhat in January and February, but from a record level of 1 million units in December. Inventories of new homes are at a very healthy four months of supply, indicating that housing demand is well matched with housing supply. Indeed, *housing starts* are still robust, and remained at very high levels in both January and February. Despite a stymied stock market, continued gains in employment and income, coupled with low mortgage rates, are helping buoy the construction and real estate sectors.

There are indications that pressures on **inflation** may be growing in the consumer sector, although they appear benign in the production sector. The *consumer price index* increased 0.3% in February, with increases in medical costs, apparel, transportation, and shelter offsetting a slight decline in energy prices. Energy prices, however, are high and are expected to remain there through the summer. High energy prices, coupled with persistent increases in the less volatile core prices, may portend inflationary pressure in the future. Conversely, the *producer price index* indicated few signs of inflation in February, increasing by only 0.1%. Meanwhile, there are indications that *productivity* growth is slowing; productivity growth for the fourth quarter of 2000 was revised downward slightly from 2.4% to 2.2%. Labor costs-per-unit increased 4.3% in the fourth quarter. Steady gains in productivity served to suppress inflationary pressure in recent years since wages could increase without costs-per-unit increasing. Slowing productivity growth could be partially responsible for increasing inflationary pressure.

The national economy is slowing. Although most sectors are still growing at a slow rate, the real estate and construction sectors remain robust, while the manufacturing sector is entrenched in a recession. In addition, a rapidly declining stock market, high energy prices, and increasing reports of layoffs are causing anxiety among consumers and they are tightening their wallets accordingly, although not at a dangerous rate. Outside of the manufacturing sector, employment news remains good, and with the unemployment rate still near its historic low, labor markets remain tight. However, there are some indications of inflationary pressures, as prices increase in many areas outside of the volatile energy and food sectors. While the economy is expected to remain sluggish for the near-term, most economists expect the economy to slowly recover by fall. The interest rate cuts by the Fed should begin working their way through the economy by the end of summer, and the inventory correction in the manufacturing sector should begin to ease.

Colorado Economy

by Josh Harwood

Colorado's economy is continuing to fend off the widespread national economic slowdown. Though effects have been seen in both the technology sector and through the slumping stock market, employment growth and the housing market remain very healthy. The national unemployment rate has risen to only 4.2% and job growth is sound. In Colorado, laid off workers are generally having little trouble finding new employment, as the unemployment rate continues to be well below the national rate. This is not to say the state economy is out of the woods, as the extent to which a prolonged slump in the stock market will impact the so-called wealth effect and thus, consumer spending and business investment, has most likely yet to be realized. The gaming industry may be the first to feel the economic pullback, as growth in adjusted gross proceeds has slowed so far in 2001.

Employment

The unemployment rate in Colorado increased in January to 2.7%. Though this is higher than the 2.1% unemployment rate seen in December 2000, it is still lower than a year ago, when it hit 3.0%. Furthermore, final figures for the year 2000 reveal a record-low 2.7% average unemployment rate. Overall, employment was up a healthy 4.9% in January 2001, compared with January 2000. Final figures for state employment in 2000 showed that employment growth improved to 3.9%, compared with 3.6% growth in 1999.

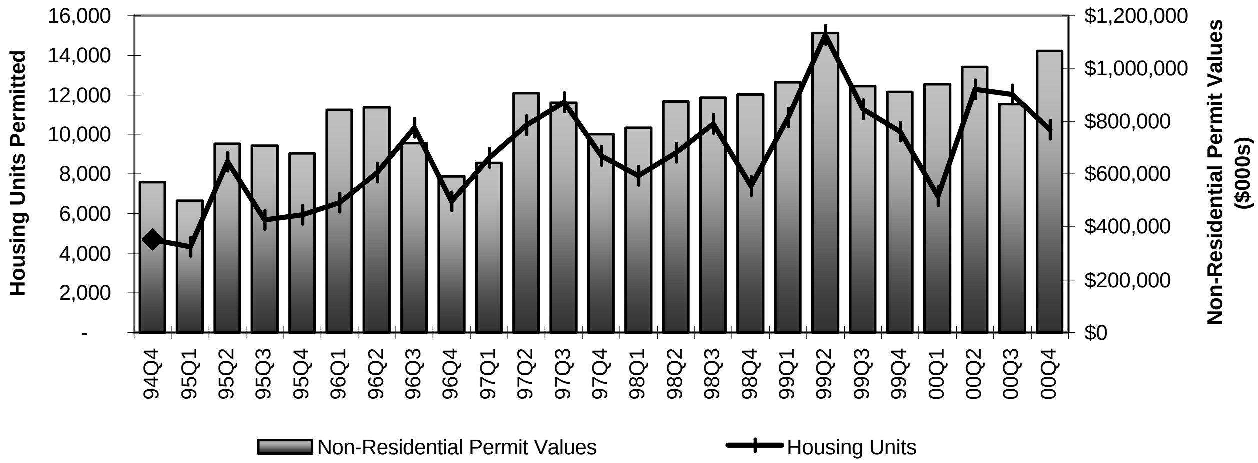
Much of the year's employment news has been characterized by the continuation of mass layoff announcements by large companies, especially in the technology sector. In the last month, several of these have hit Colorado, with the technology sector taking the brunt of the hit. In addition to continued delays in the opening of Intel Corp.'s flash chip plant and layoffs at Agilent Technologies in Colorado Springs, Boulder-based Exabyte laid off 200 employees. Outside the technology sector, the closings of Samsonite's manufacturing plant in Denver and a Louisiana-Pacific plant in Olathe mirror the nationwide slowdown for manufacturing.

In spite of the downturn, several companies have made plans to grow over the next several months. Finali, a Boulder-based customer service company, plans to hire more than 100 new employees during the next three months. Additional expansions announced by Peco II in Aurora and Woodward Governor, Inc. in Fort Collins will also help to fuel employment growth during the second quarter.

Colorado's Economy at a Glance

Key Indicators	***Direction***	***Assessment***
Nonfarm Employment Growth		Good
Unemployment Rate		Good
Mortgage Rates		Good
Retail Trade Sales		Good
Home Prices		Neutral
Nonresidential Construction		Good
Colorado Inflation Rate		Bad
Overall Rating		**Good**

Figure 1
Major Construction Indicators
(4th Quarter 1994 - 4th Quarter 2000)



Residential Construction

Permit data for January shows Colorado nearly maintaining the record setting pace of a year ago, according to the U.S. Census Bureau. Figure 1 illustrates the trend of housing permits throughout the boom of the late 1990s. Though the number of permits was off 3.3% from January 2000 figures, it still far outpaces all years prior to 2000. Furthermore, single-family home permits were up 11.1% compared with January 2000.

The Denver housing market in 2000 experienced one of its tightest years in history. Rising prices in the central city prompted developers to convert nearly 1,500 apartment units to condominiums over the last year, according to a report by Grubb & Ellis. As vacancy rates continue to drop below 5%, renters are finding a shortage of affordable space. The report showed a 514.3% increase in the number of apartments converted since 1997. With the average price of a condominium in Denver increasing by almost 15% in 2000, this trend is certain to continue.

Nonresidential Construction

According to F.W. Dodge, the value of nonresidential construction more than doubled in January 2001 over January 2000 figures. Building in the education and science, retail, and office sectors fueled the growth.

Following the layoffs of approximately 16% of its employees in February, Janus Capital Corporation abandoned its plans to build a 35-acre campus for up to 3,000 workers in the Lowry Business Park. Citing a decline in demand and increased automation, the mutual fund company decided it no longer needed the 800,000 to 1.2 million square feet of offices it planned to build at Lowry. Janus would have been the largest corporation to occupy office space in the Lowry Business Park.

"...the cost of operating a business in Denver was the eighth-highest out of 15 metropolitan cities in the western United States and Canada."

A recent study by The Boyd Company found that the cost of operating a business in Denver was the eighth-highest out of 15 metropolitan cities in the western United States and Canada. The study looked at costs such as rent, wages, electricity, equipment, air conditioning, and travel. The average office rent in the Denver area is $28-per-square-foot. By comparison, Denver's largest competitor in the mountain region, Salt Lake City, has average office rents closer to $18-per-square-foot.

The U.S. Highway 36 corridor continues to be a hotbed of activity. McData Corporation, a maker of information management systems, broke ground on a $300 million campus in Broomfield in March. Construction will begin in April and the first 168,000-square-foot building is scheduled to open in May

2002. The 109-acre campus could have nine buildings totaling 1.4 million square feet at total build-out. The campus is part of the planned Great Western Park, a 301-acre business park being developed by Church Ranch Co.

Further development along U.S. Highway 36 includes a nine-story upscale hotel in the FlatIron Crossing area. White Lodging Services Corp. plans to break ground on a nine-story Renaissance Suites across the street from FlatIron Crossing mall in April. Also, farther into the future, Park 36, a joint-venture between Fiest and Associates, the Regional Transportation District, and Legacy Partners, is being planned for an area surrounding U.S. Highway 36. The mixed-use development, currently in the entitlement process, would include more than 2,000 homes, 1.2 million square feet of office space, and 20,000 square feet of retail space.

The Stapleton Airport has been the topic of discussion for sweeping redevelopment over the past year. Construction has begun and several large retailers are hoping to open a new shopping center by the end of 2002. Home Depot, Sam's Club, and Wal-Mart will act as anchors of a retail center built to serve the occupants of roughly 1,200 housing units and 200,000 square feet of office space, all of which should be occupied around the same time.

Manufacturing

Following a dismal January performance, the Front Range Purchasing Managers' Index, which measures Colorado's manufacturing economy, rebounded last month. The industrial sector's score was 47.8, up sharply from January's 37.4. February's index indicated the manufacturing economy was still declining slightly, but not at the rate of January's steep drop. The index measures various types of manufacturing activity at Front Range businesses from Colorado Springs to Fort Collins.

Nearly 350 employees at Samsonite's manufacturing plant in Denver will be laid off April 30 as the company restructures to meet shifting consumer preferences. The company will retain a presence in Denver by continuing to employ roughly 285 people at its corporate headquarters and distribution center.

Transportation

According to figures released by Denver International Airport (DIA), passenger traffic increased 1.3% in January 2001, compared with a year ago. DIA set a record for passenger traffic in 2000, with a gain of 1.8%.

"The entertainment venues to the west and north of Denver's Auraria Campus will be the beneficiaries of a new light rail route."

The entertainment venues to the west and north of Denver's Auraria Campus will be the beneficiaries of a new light rail route. The new 1.8-mile track will connect with the current light rail track at the south side of the campus and eventually serve Invesco Field at Mile High, Coors Field, the Pepsi Center, and Six Flags Elitch Gardens. Construction on the $46 million line has already begun and is expected to be completed by March 2002.

Technology

For the second straight year, an analysis of data from the Bureau of Labor Statistics shows that the Boulder-Longmont area has more software workers per capita than anywhere in the U.S. According to the report by the Software & Information Industry Association, the area has greater than five times the national average of software employees per capita. Meanwhile, Denver ranked 11th overall.

The technology industry continues to be hit with difficult economic times. Colorado Springs-based software developer Insurance Technologies Inc. slashed its local work force by 20 percent, or 25 employees. In decidedly better news, Finali Inc., a Boulder-based provider of customer service to companies doing business on the Internet, bucked recent trends for Internet-related companies by garnering $20 million in its second round of venture capital financing. The company plans to double its employee base to 220 within the next three months.

Gaming and Tourism

Thus far, the 2000-01 ski season has been a healthy one for Colorado's ski resorts, with most resorts reporting numbers well above last season. Colorado Ski Country USA reported a total of 7,580,299 snowriders hitting the state's 26 ski areas this season through February. The tally through February is an increase of 12.6% over figures from last year. Most of the increase came in the early season, when ski hills reported almost 650,000 more skiers than during the first two months of the 1999-2000 ski season. In January and February, skier visits were roughly flat when compared with figures from a year ago.

Colorado's gaming towns brought in $51.6 million of adjusted gross proceeds (AGP) in February, a 1.0% increase over February 2000. Though AGP is up 9.9% year-to-date for the fiscal year, the first two months of 2001 represent a definite slowdown in Colorado's gaming industry. Figure 2 shows calendar year-to-date figures for AGP and AGP growth through February for the last six years. The 1.1% growth seen thus far is 2001 is the lowest since the inception of gaming in Colorado. The City of Blackhawk brought in $34.4 million in AGP, or 66.7% of the total AGP in Colorado, while Cripple Creek brought in 20.0%, and Central City brought in the remaining 13.3%.

Business Investment

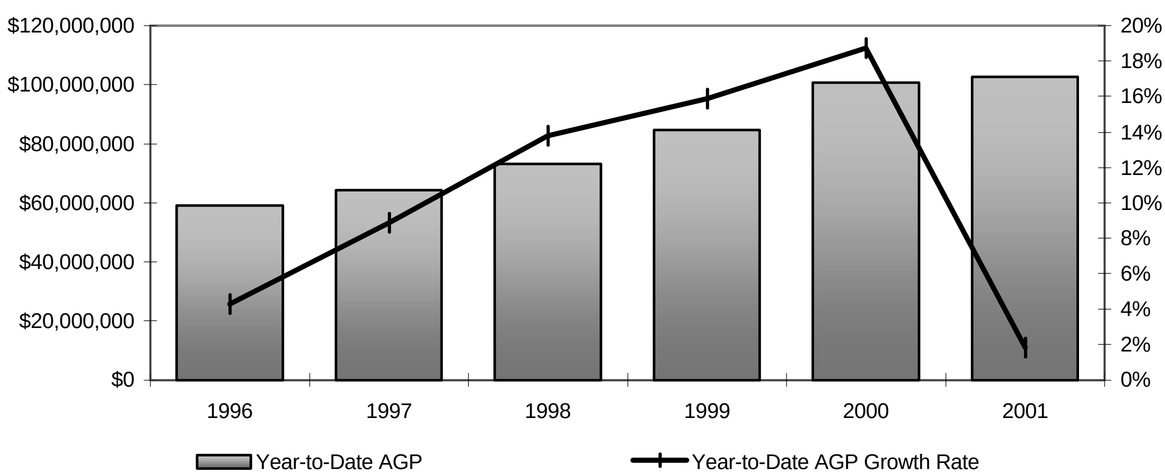
According to Mergerstat, the dollar value of merger and acquisition activity in Colorado has fallen dramatically thus far in 2001. Colorado companies announced 50 deals worth $1.23 billion in January and February 2001, off 56.5% compared with the same period last year. Colorado's decline reflects a national trend, as the dollar value of mergers and acquisitions declined 63% nationally from a year ago.

Metro Denver

With the increasing costs of office space in Downtown Denver, as well as the Denver Technology Center, many companies are looking elsewhere in the metro area for cost-effective office space. Peco II, Inc. will open a regional operations center in **Aurora**. The 161,000-square-foot office building, expected to open in April, will accommodate roughly 120 employees. Actions like this have prompted developers to include a growing amount of office space in mixed-use projects. One example is in the new Westminster Promenade, where construction is set to begin on a 225,000-square-foot Class A office building as part of the ongoing mixed-use development.

More residential development in **Denver** is occurring in the area around Coors Field. Long an industrial area, developers have begun the process of building at least six condominium and apartment projects in the area, representing an investment of over $175

Figure 2
Adjusted Gross Receipts From Colorado Gaming
(Year-to-Date Feb. 1996 - Feb. 2001)



million. The first of these is the 355-unit, $56 million Ballpark Lofts complex on the site of the former Waste Management newspaper recycling plant. Ten percent of the units will be affordable for people earning less than 80 percent of the area median income. Units will range in size from 600 square feet to 1,800 square feet. It will take two years to complete, with the first units opening in June 2002.

Another area sharing in the core city residential development boom is Denver's Uptown neighborhood just east of downtown. The Sagebrush Group plans to start construction this summer on the Portofino Tower, a luxury 14-story, 54-unit condominium building. Condos in the development will range from $325,000 for a 1,000-square-foot unit to $2.9 million for a 4,500-square-foot penthouse. Forty percent of the units in the Portofino Tower are presold and Sagebrush has reservations for most of the remaining units. The $30 million building will be built over a two-story, 89-space parking garage. Combined with two other proposed developments, nearly 250 condominiums will be added to the neighborhood over the next two years.

Yet another Denver condominium and apartment project, known as Riverfront Park, is continuing to move forward with construction. Buyers have already purchased 157 units worth $75 million in the first phase of the development located close to 15th Street and Wewatta Street, which will include 192 units in three buildings. The project is expected to have close to 1,500 condominium and apartment units once all phases of construction are complete.

The ParkRidge Corporate Center in **Douglas County** will bear witness to the new Denver South Marriot Hotel, which will break ground next month. The full-service hotel at Interstate-25 and Lincoln Avenue will be accompanied by a SpringHill Suites, a limited-service hotel slated to break ground by May 1, 2001.

Boulder County

The downturn in the technology industry has had a dramatic effect in Boulder County. Both layoffs and mergers have characterized much of the activity in the tech-heavy market. Data storage company Exabyte Corp. announced it cut 200 jobs at its Boulder headquarters and plans to cut an additional 50 positions overseas. The company, which makes tape drives and tape libraries used to store computer data, is competing against larger firms that are able to make products more cheaply. Additionally, for the second time in three months, NetLibrary, a Boulder-based academic book seller, announced it has cut roughly 20 positions. Citing market concerns, the company has now laid off approximately 40 employees following a pullout of its $82.2 million initial public offering in December.

"The downturn in the technology industry has had a dramatic effect in Boulder County."

The City of Longmont announced it will build a 63,000-square-foot recreation center. The $10 million project will house an aquatics center, large gymnasium, dance studio, climbing wall, indoor running track, and several public meeting rooms. The city hopes to have the center operational by February 2002.

El Paso County

The **Colorado Springs** economy remained strong through February, as local business cycle indicators showed little indication of the slowdown affecting other parts of the country. In spite of downturns and slowdowns elsewhere, Colorado Springs saw positive seasonally adjusted annual growth rates for employment (1.2%), new car sales (11.9%), housing starts (9.7%), and city sales tax collections (7.2%), while maintaining a 3.1% unemployment rate.

Furthermore, this trend is expected to continue. A quarterly employment outlook survey compiled by Manpower Inc. shows Colorado Springs can expect continued employment growth. The survey found 60% of local employers expect to add personnel during the spring, 7% foresee labor cutbacks, and 33% will stay with current payrolls. More specifically, jobs are likely to be added in construction, durable goods manufacturing, wholesale/retail trade, finance, insurance and real estate, education, services, and public administration. Nationally, 28% of employers are expected to add workers, while 8% are likely to decrease payroll levels.

Though the Colorado Springs economy remains strong, its technology industry has failed to avoid the troubles that are plaguing much of the country. Agilent Technologies Inc. has announced it will restructure part of its Colorado Springs operation, cutting some of its 450-employee local manufacturing work force. During the next 12 to 18 months, the company will cut manufacturing positions in Colorado Springs through attrition, as it had previously planned to move the manufacturing of its newest products to Colorado Springs on March 1. Still further layoffs have been announced at Timeshare, Inc. The Colorado Springs software developer will lay off 19 of its roughly 120 employees.

City sales tax figures released March 8 show that Colorado Springs residents are continuing to spend, in spite of news pointing toward a national economic slowdown. Overall sales tax revenue collected in January of this year increased about 7% compared with January 2000. Especially notable was the fact that department and discount stores, which have had many problems nationally, saw a 12% increase over sales taxes collected during last January.

Further good news came from the Pikes Peak Regional Building Department, as it indicated construction of single-family homes during the first two months of this year jumped 24% from the same period in 2000.

Colorado Springs was ranked as the third least sprawled city in the nation in a USA Today study using population density as a key sprawl yardstick. Nearly 90 percent of the Pikes Peak region's population lives in urbanized areas.

According to Colorado Springs local military installations, the military contributed almost $2.5 billion to the Colorado Springs economy in 2000, continuing its role as the region's leading economic industry. Fort Carson, El Paso County's top employer, provided more than $1 billion to the local economy. The military's impact, measured from October 1, 1999, to September 30, 2000, was up about 8% from figures collected during the preceding 12 months. The figure includes payroll, contracts and services, and other dollars spent by the 41,901 military officers and employees in the community. Fort Carson's impact will likely grow in the next few years as it plans to spend more than $200 million to remodel all 1,823 houses on the post and build 840 new residential units.

Northern Region

A historically low industrial vacancy rate in northern Colorado and relatively low land prices should prompt new construction in **Greeley** over the next two years, according to Realtec Commercial Real Estate Services. As of the end of the year, Greeley had an industrial vacancy rate of only 1%, compared with 2.4% in Fort Collins and 4.5% in Loveland. While industrial sale prices and lease rates in Greeley are among the lowest in northern Colorado, they are expected to increase because of the low vacancy rate.

"A historically low industrial vacancy rate in northern Colorado and relatively low land prices should prompt new construction in Greeley over the next two years…"

Following a report by commercial brokers at Grubb & Ellis showing a local office vacancy rate of less than 7%, there are several buildings under construction as part of a mixed-use development in the works for the **Fort Collins** area. A two-story, 120,000-square-foot office complex is set to break ground in April as part of a joint venture between The Neenan Company and Western Property Advisors. Overall, the mixed-use project will encompass 80 acres and is slated to include a Hilton Hotel, a bank, and retail shops.

Woodward Governor Co., which makes components for power generation equipment, is hiring 100 employees for jobs in Fort Collins and **Loveland** for its Industrial Controls division. The company hopes to have all the positions filled by the end of May, and then has further plans for expanding its current space by over 10%. Currently, Woodward employs 724 people in Fort Collins and Loveland.

Southern Region

According to the Pueblo Association of Home Builders, **Pueblo** continued its growth through the first two months of 2001, as housing starts jumped up 12% from the same period a year ago, and nearly even with the record first two months of 1999. Overall, according to F.W. Dodge data, nonresidential construction slowed dramatically in January 2001, compared with the beginning of 2000.

Mountain Region

Crested Butte has failed to share the success that many of Colorado's ski resorts have enjoyed this ski season. In spite of excellent skier turnouts on the mountains this season, Crested Butte has seen a 50% drop compared with the most recent five-year average. According to Colorado Ski Country USA, Crested Butte ranks last out of Colorado's 26 ski resorts in skier visits. The Crested Butte ski area has seen lower snowfall totals than other Colorado ski areas.

The second phase of development at Grand County's SolVista Golf and Ski Ranch, formerly known as Silver Creek, is underway. The new village at the base of the ski area, anchored by Twin Saddles Lodge, is the second step toward creating a resort community on 5,100 acres just outside **Granby**. The new lodge will be comprised of three buildings and will include 110 ski-in, ski-out units. Sales will begin in late April, and prices for the Twin Saddles Lodge units start at $198,000 and go up to $550,000 for three-bedroom units with a loft. The village will also have 5,000 square feet of commercial space, including a grocery store. Construction of the roughly $32 million lodge is slated to begin by June and be completed by the end of 2002.

Western Slope

The real estate market in Mesa County slowed toward the end of 2000, according to a report released by First American Title Company. Real estate sales in Mesa County declined 6.3% in 2000, totaling 4,937 real estate transactions. That is down from 5,267 sales reported in 1999, and 5,263 sales reported in 1998. The positive news is that the downward trend may be slowing, as the fourth quarter saw transactions closer to 1999 figures, following a third quarter in which transactions were down 11%. Furthermore, permits for single family homes were up 30% during the second half of 2000, compared with the same period in 1999.

"Real estate sales in Mesa County declined 6.3% in 2000…"

WinterQuest, owner of nearly 75% of the world's snowshoe market, has announced that it will open a manufacturing plant in Grand Junction. Beginning in June, the company will begin operations in a 40,000-square-foot plant that will accommodate over 100 employees.

According to *The Econometer*, an economic newsletter published by Fort Lewis College, La Plata County's slow third quarter of 2000 can be blamed largely on a weak end to the 2000 tourism season. The report pointed to a 29.6% drop in tourism activity over the third quarter of 1999 as the most direct cause of the 7.3% decline in La Plata County's economy during the third quarter of 2000. That may be changing, as the city of Durango saw a 26.1% jump in lodging taxes collected for December 2000. Thanks to healthy early season snowfalls, these figures more closely resemble typical years, though still lower than 1998.

The future of Louisiana-Pacific's oriented strand board plant in Olathe is on some tenuous footing. The company is in the process of reevaluating the facility as it readies for an extended shutdown, thus displacing the plant's 100 employees beginning in April until market conditions improve. The Montrose Economic Development Council estimated that a permanent closure of the Olathe plant would result in a $12 million annual loss to the area economy.

Regional Growth
Cumulative Year-to-Date Growth Rates

	Alamosa	Boulder	Colorado Springs	Metro Denver	Durango	Fort Collins	Grand Junction	Greeley	Lamar	Montrose	Pueblo	Ski Counties (Eagle, Pitkin, and Summit)	Steamboat Springs	Sterling
Employment Growth (through December 2000)	3.4	4.3	2.9	3.6	-0.9	1.3	2.0	1.8	5.9	3.6	-1.4	3.2	3.8	6.5
Unemployment Rate (not seasonally adjusted) (in December 2000)	4.6	1.7	2.3	1.8	2.9	2.2	3.1	2.7	2.1	4.0	3.6	1.5	1.3	2.2
Retail Trade Sales Growth (through November 2000)	8.9	12.7	9.9	13.1	8.1	10.9	8.9	12.7	5.8	10.9	6.2	8.9	9.9	11.0
Housing Permit Growth * (through December 2000)	-10.7	9.1	0.5	-6.5	-7.8	-15.5	-21.3	19.7	-36.5	-7.5	-26.2	-19.8	9.6	-46.1
Growth in Value of Non-residential Construction* (through December 2000)	-51.1	-14.6	4.0	-10.7	8.4	-57.9	-36.4	13.1	*See footnote*	-67.1	32.5	*See footnote*	3.1	-97.1

Actual level not growth rate.
Colorado Department of Labor and Employment data.
* F.W. Dodge data.
Colorado Department of Revenue data.
$2.4 million was contracted in 2000, while nothing was contracted in 1999.
$145.1 million was contracted in 2000, while $62.4 million was contracted in 1999.

Colorado Indicators
Year-to-Date Growth Rates

Indicator	2000 Annual Average	1999 Annual Average
Nonfarm Employment Growth ¤	3.9%	3.6%
Unemployment Rate ¤ ‡ (seasonally adjusted)	2.7	2.9
Housing Permit Growth ~	9.0	-3.6
Single family	-1.9	6.4
Apartments	47.2	-27.6
Growth in Value of		
Nonresidential Construction §	-12.4	35.4
Retail	-12.8	22.4
Offices	22.9	-3.4
Factories	-71.7	131.6

¤ Colorado Department of Labor and Employment data.
‡ Actual level, not growth rate.
~ U.S. Census Bureau data.
§ F.W. Dodge data.

Note: An inflation rate is not calculated for the state. The Denver-Boulder-Greeley inflation rate is often used as a proxy for Colorado's inflation rate. The Denver-Boulder-Greeley inflation rate was 4.0% in 2000, following a 2.9% rate in 1999.

Regional Economic Review - Eastern Plains

by Jonathan Lurie

The eastern plains counties (Baca, Bent, Cheyenne, Crowley, Elbert, Huerfano, Kiowa, Kit Carson, Las Animas, Lincoln, Logan, Morgan, Otero, Phillips, Prowers, Sedgwick, Washington, and Yuma) have grown over the past few years, although not as much as the rest of the state. The agriculture industry still dominates the region. However, the region is becoming a more diverse economy as the construction and retail sectors have shown signs of steady or emergent growth. Those counties that are accessible by interstate highways have discovered the tradeoff of agricultural land value for development. Construction of lodging facilities to support tourism and travel has also emerged in towns along busier roads. Moreover, several eastern counties have welcomed the steady employment of state and private prison facility development as a result of a burgeoning inmate population.

Table 1
Eastern Plains Economic Indicators at a Glance

	Eastern Plains	Colorado
Population Growth 1990-2000 Compound Average Annual Growth Rate (CAAGR)	1.8	2.7
Employment Growth		
1990-1999 CAAGR	3.0	3.8
1999-2000 Growth Rate (through 2Q only)	2.2	3.7
Unemployment Rate (Regional data not seasonally adjusted)		
1990-2000 Average	4.3	4.2
2000 Average	3.2	2.6
Retail Trade Sales Growth		
1990-1999 CAAGR	3.1	7.3
1999-2000 Growth Rate (through November only)	7.2	11.9
Growth in Nonresidential Construction Value, 2000	-62.1	-14.2
Growth in Residential Construction, 2000	-43.3	9.0

Sources: Population - U.S. Census Bureau data for ten year growth, Colorado Department of Local Affairs for one year growth. Employment and unemployment - Colorado Department of Labor and Employment and series ES202 data. Construction - F.W. Dodge data for Logan and Prowers counties.

Population and Growth

According to the recently released 2000 Census data, the eastern plains counties (including Huerfano and Las Animas) grew 19.0% between 1990 and 2000, while the state's population grew 30.6% during that time. The eastern plains counties with the strongest growth were Elbert (106.0%), Crowley (39.8%), Lincoln (34.4%), Huerfano (30.8%), and Morgan (23.8%).

Much of this growth can be attributed to highway access and proximity to the Denver metro area. The population in Lincoln and Kit Carson counties is clustered around Interstate-70, the population of Las Animas and Huerfano counties is largely adjacent to Interstate-25, and Interstate-76 runs through Morgan, Logan, and Sedgwick counties. Meanwhile, Elbert County residents have access to Interstate-25 and can commute to either the metro-Denver or Colorado Springs areas.

Elbert County officials enacted a moratorium on new growth in 2000 to allow them additional time to plan for booming growth. Elbert County's population has more than doubled in the last decade to almost 20,000 people. More than 1,600 new homes are currently planned and will be unaffected by the moratorium.

Three counties in the eastern plains — Cheyenne, Kiowa, and Baca — lost population over the past ten years. At this time, the state demographer's office is attempting to determine whether there were actual population losses or technical problems with the census. However, it is important to note that Kiowa and Baca counties, as well as most of the eastern plains, witnessed population losses in the 1990 census count.

Employment

According to the Department of Labor and Employment ES202 series, total employment in the eastern plains increased 1.8% in 1999. Through the first two quarters of 2000, employment increased 2.2%. The average annual growth since 1990 was 3.0%. Meanwhile, the unemployment rate for the eastern plains region dipped to 3.4% in 1999 and 3.2% in 2000, the lowest rates in over fifteen years. Figure 3 illustrates the employment growth and the unemployment rate for the Eastern Plains over the last twelve years.

"Lincoln County had the lowest average unemployment rate of 1.1% in the state in 2000."

Lincoln County had the lowest average unemployment rate of 1.1% in the state in 2000. Credit for the low rate is being given to the fact that Lincoln County acts as a gateway for many tourists to the front range. Additionally, the state prison in Limon provides a stable source of employment for the county's population. The unemployment rate in Phillips County was 1.9% for the year, and Kit Carson's rate was 2.1%. Washington County had an unemployment rate of 2.2%, while Kiowa and Sedgwick counties each reported an average rate of 2.5% last year.

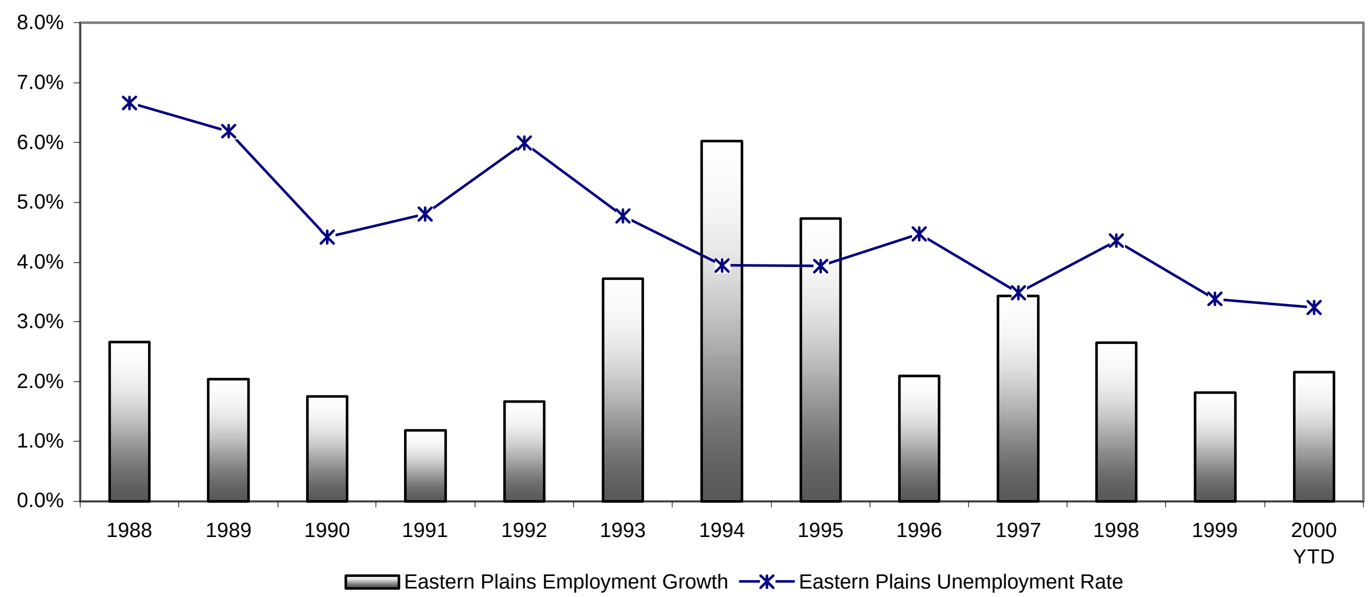
There was some news regarding layoffs in the eastern plains region last year. CenturyTel eliminated 64 jobs in La Junta and Rocky Ford through the fall of 2000 and the winter of 2001. The layoffs by the local phone and wireless service company were part of a nationwide cost-cutting measure. Approximately 50 employees still work in the La Junta and Rocky Ford customer service centers.

The Rocky Mountain Clothing Co. closed its Rocky Ford manufacturing plant in Otero County and laid off 64 people in early 2000. The western-style clothing manufacturer planned to contract out the work done by local employees.

With the closing of Fort Lyon Veterans Administration hospital in Bent County, 420 workers were laid off in late 1999. In order to accommodate veteran health needs, the VA Southern Colorado Healthcare System planned to set up a long-term care residential facility and three walk-in clinics. However, the hospital was conveyed to the Colorado Department of Corrections to serve aging offenders. Pending the approval of the Colorado General Assembly to renovate the hospital into a secure prison facility, it is likely that many employees will be rehired. The recommended appropriation suggests that 100 employees may be hired in FY 2001-02 and another 175 may be hired in FY 2002-03. The majority of these employees will be medical services personnel.

Lamar became the home to several new companies in 2001. Farley Machine Works established a manufacturing and service plant for agricultural machin-

Figure 3
Eastern Plains Employment Growth and Unemployment Rate, 1988-2000



Source: Department of Labor and Employment.

ery. Farley will add between five and ten local jobs. Another company, Forensius Medical Care, set up a dialysis center to serve an estimated 20 patients from eastern Colorado and western Kansas. Another five to ten local jobs will be added once the center opens in April 2001. A Family Dollar grocery store is scheduled to open in March 2001 and will hire around ten workers.

The Lamar Workforce Center and Prowers County Development Incorporated have teamed to collect job applications from local residents and send them to companies interested in establishing business in Lamar. The companies can choose to interview candidates based on applications received. The process is expected to market the town and the local work force to businesses shopping for locations. It is currently being used to lure Alliance Data Systems, a credit service corporation, to set up a Lamar call center.

Wages and Income

"...total wages in the eastern counties increased 5.9% in 1999."

According to the Department of Labor and Employment, total wages in the eastern counties increased 5.9% in 1999. Over the past five years, wage growth averaged 6.5% per year. These growth rates are lower than the state wage growth (9.9% in 1999 and an average of 9.6% per year over five years). Those eastern counties with double-digit wage growth in 1999 were Crowley (29.2%), Elbert (21.8%), and Logan (11.5%). Much of the growth in Logan County can be attributed to the growth in state employment from Sterling Correctional Facility, while much of the growth in Crowley can be attributed to employment gains at the new private prison. The growth in Elbert was generated by employment gains in services and construction.

A 2001 report by Demographics Daily pegged Colorado as the state with the strongest potential for growth among 13 states in the western United States. The report ranked the capacity for future growth and prosperity on a county level, and then aggregated counties to rank states. Elbert County ranked fourth overall in the country.

According to a recent study by the Colorado Fiscal Policy Institute, a two-parent family with two children must have earned $40,409 in 1998 to meet basic needs in Denver, much higher than the government's poverty level of $17,029 for a four-person family. The study estimated the income required for a family to meet its basic needs in several areas around the state. The study found that families in rural counties in the eastern plains (Yuma $38,097) required the least to meet their basic needs

Year after year, farming communities face the economic decision to continue farming or sell land for either development (in the case of Elbert or Lincoln counties), for water rights, or for some other use besides farming. The sale of agricultural land is a lucrative option if faced with huge debts incurred to make up for as little as one year of poor production. This option becomes more lucrative if water rights are associated with the land, particularly in a western state such as Colorado. In 1999, metro-Denver cities offered to pay $56,000 per privately owned share of the Rocky Ford Ditch in Otero County. One year later, 290 private owners sold water rights of the ditch for a total of $16.2 million. The sale of water rights further hinders agricultural production because the water needed for crops is diverted to other uses.

Agriculture

"...Colorado red meat production experienced one of its best years in 2000."

Agriculture dominates the economy of eastern Colorado. Livestock production is important to many eastern plains counties. Because county-specific information for the livestock industry is not available, we discuss the industry on a statewide basis. Eastern plains crop production dominates many parts of overall Colorado crops. The following sections discuss the livestock and crop sectors.

Livestock

According to Colorado Agricultural Statistics Service, Colorado red meat production experienced one of its best years in 2000. Colorado was the sixth-largest producer of red meat with 2,150.4 million pounds last year. Three factors were responsible for the production peak. First, the U.S. per capita consumption of beef in 1999 was a record-high 65.9 pounds, which helped drive up prices. Second, the cost of cattle feed dropped from record highs seen during 1996. Corn production was at an all-time high in Colorado in 1999, lowering livestock production costs. Third, the overseas demand for beef has remained strong as beef exports accounted for almost 9% of total U.S. production. The top markets for U.S. beef were Japan, Mexico, and Canada.

Healthy demand allowed ranchers to enjoy strong livestock prices in 2000. After three years of annual price declines, the livestock price index increased 2.7% to 97.9 in 2000. This price index includes animals for slaughter, dairy products, and eggs. Figure 4 shows the livestock price index and the level of Colorado red meat production over the last twenty years.

The number of cattle on feed in Colorado increased 1.7% in February 2001 over a year earlier. As of January 2001, Colorado red meat production totaled 192.5 million pounds, up 5.0% from a year ago, slightly higher than the national growth rate of 4.0%. Colorado ranked 10th in the nation for production of cattle and calves, 14th for beef cows, and 15th for hogs and pigs.

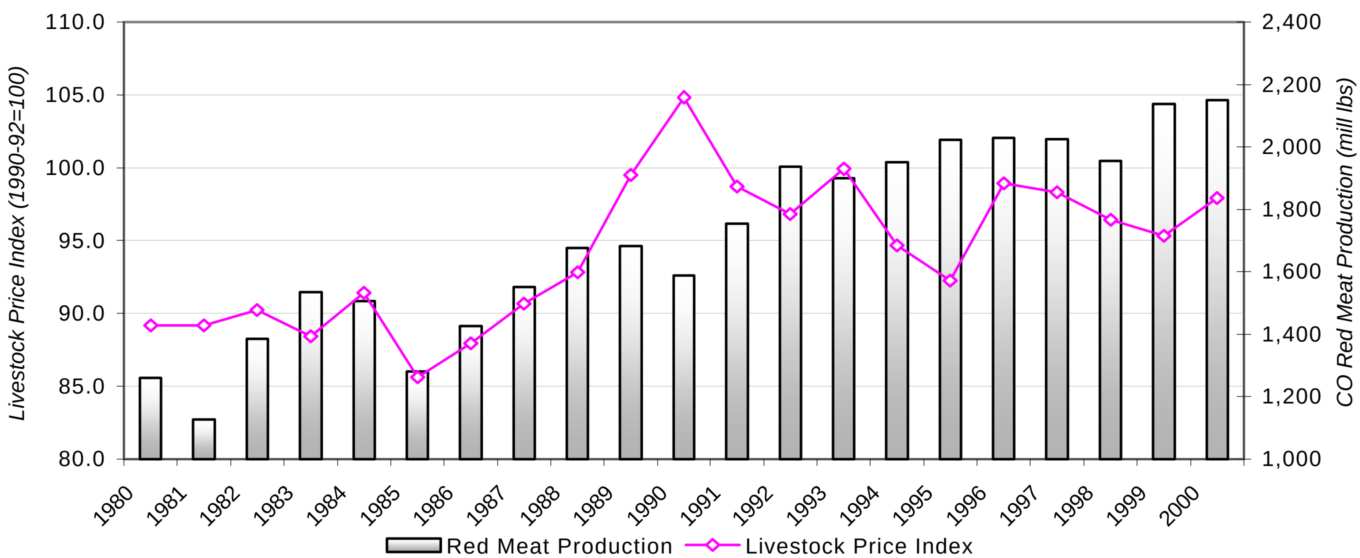
"Hog and pig production in Colorado has emerged as a significant component of the state meat market in the last ten years."

Hog and pig production in Colorado has emerged as a significant component of the state meat market in the last ten years. In 1989, there were 230,000 head in the state and production was estimated at 88.8 million pounds. By 1999, hog and pig inventory nearly quadrupled and production was estimated at 541.0 million pounds, a 500% increase.

Crops

According to the Colorado Agricultural Statistics Service, corn for grain and silage was the state's leading crop in terms of value in 1999. Corn production accounted for $358.1 million, representing nearly 30% of the value from all field crops. Nearly

Figure 4
Colorado Red Meat Production and Livestock Price Index, 1980-2000



Source: National Agricultural Statistics Service.

all field crops experienced significant growth in production, but lower prices led to the lowest total field crop value since 1994.

"Nearly all field crops experienced significant growth in production, but lower prices led to the lowest total field crop value since 1994."

The 1999 year-end estimated crop yields saw gains in corn for grain and wheat, but a decrease in barley and dry beans. The corn for grain crop ($310.1 million in 1999) saw a 2.0% increase in production values, due to the increase in the acreage planted and harvested. The value of the wheat crop ($267.6 million) increased 4.1% over 1998 production, due to a stronger yield per acre. Barley production ($23.9 million) was 10.6% lower than the record-setting crop in 1998 and the dry bean crop ($43.3 million) had a 3.3% decrease due to a smaller harvest.

Tables 2 and 3 illustrate the 1999 year-end crop production estimates and top producing counties. Production was strong relative to the prior year for the significant Colorado crops. The only exception to this was the hay crop, which saw a 6.4% decrease in production.

Sunflowers became a strong cash crop for eastern counties in 1999. Eastern farmers planted and harvested more sunflowers than ever, producing a record 348.5 million pounds and bringing in $30.6 million. Production was up 75% and the value was up 33% from the 1998 crop. This helped rank Colorado 4th in the nation for sunflower production. Kit Carson, Cheyenne, and Kiowa counties led the state in 1999 sunflower production.

Kit Carson, Washington, and Baca counties led the state in 1999 winter wheat production. That year, Colorado ranked 4th in the nation for winter wheat production. Eastern plains counties also dominated state production in corn for grain (state rank in U.S.: 13th), sorghum for grain (10th), dry beans (6th), and sunflowers (4th). Between 1994 and 1999, eastern counties also developed into top producers of hay.

Honey production, once a large cash product for eastern counties, has tapered in recent years. Despite a 5.6% production increase in 1999, the number of Colorado producers of honey fell 46.0% from 1989 to 1999 and production levels over that ten-year period dropped 37.8%. One reason for the honey industry woes has been the relatively cheap honey available for import from Argentina and Chile. The American Honey Producers Association began gathering support in the summer of 2000 for an anti-dumping measure accusing foreign countries of exporting honey at below production costs.

Estimated crop production levels were poor for 2000, in part due to a harsh winter and a drought in the summer. A robust 1999 production year also made 2000 look relatively weak. In 2000, corn for grain production saw the only increase among all crops,

Table 2
Agricultural Statistics of the Eastern Plains

Crop	1999 Production (000)	Colorado Production Rank in U.S.	Percent of Colorado Production	Change from 1998 Production
Winter Wheat *(bushels)*	84,887	4th	82.3%	3.3%
Corn for grain *(bushels)*	129,130	13th	83.4%	2.6%
Sunflowers *(pounds)*	304,050	4th	87.3%	71.8%
Hay *(tons)*	1,494.5	15th	32.5%	-6.4%

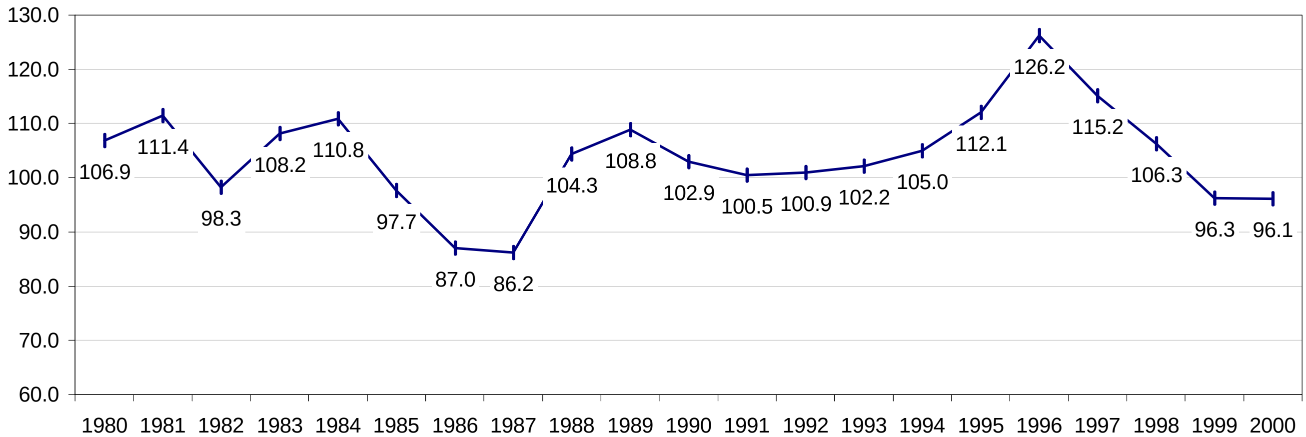
Source: Colorado Agricultural Statistics 2000. 1999 figures are preliminary.

Table 3
Leading Counties in Crop Production, 1994, 1998, and 1999

Crop	1994 rank and production (000)	1998 rank and production (000)	1999 rank and production (000)
Winter wheat *(bushels)*	1. Kit Carson (12,100) 2. Washington (8,700) 3. Cheyenne (6,560)	1. Kit Carson (11,540) 2. Washington (10,500) 3. Kiowa (9,340)	1. Kit Carson (12,235) 2. Washington (10,800) 3. Baca (8,870)
Corn for grain *(bushels)*	1. Yuma (34,710) 2. Weld (15,845) 3. Kit Carson (14,520)	1. Yuma (38,350) 2. Kit Carson (23,630) 3. Weld (16,860)	1. Yuma (34,940) 2. Kit Carson (22,530) 3. Weld (18,070)
Sunflowers *(pounds)*	1. Yuma (27,460) 2. Kit Carson (27,410) 3. Washington (7,140)	1. Kit Carson (60,200) 2. Cheyenne (26,600) 3. Kiowa (17,900)	1. Kit Carson (88,000) 2. Cheyenne (59,000) 3. Kiowa (39,000)
Hay *(tons)*	1. Weld (423.4) 2. Prowers (338.7) 3. Montezuma (174.9)	1. Weld (558.8) 2. Prowers (293.5) 3. Logan (200.5)	1. Weld (600.5) 2. Prowers (255.2) 3. Bent (183.1)

Source: Colorado Agricultural Statistics 2000. 1999 figures are preliminary.

Figure 5
Crop Price Index, 1980-2000 (1990-92=100)



Source: National Agricultural Statistics Service.

edging up 5.4% from the previous year. Winter wheat production was down 34.0% due to a dry harvest season. Colorado is the top producer of proso millet in the nation. But the difficult summer caused a 65.1% drop in the 2000 production level of 2.85 million bushels (from 8.16 million in 1999). The sunflower harvest also had a difficult year as production dropped 57.0%.

"Historical crop prices indicate that crops are experiencing the bottom of a five-to-eight year cycle."

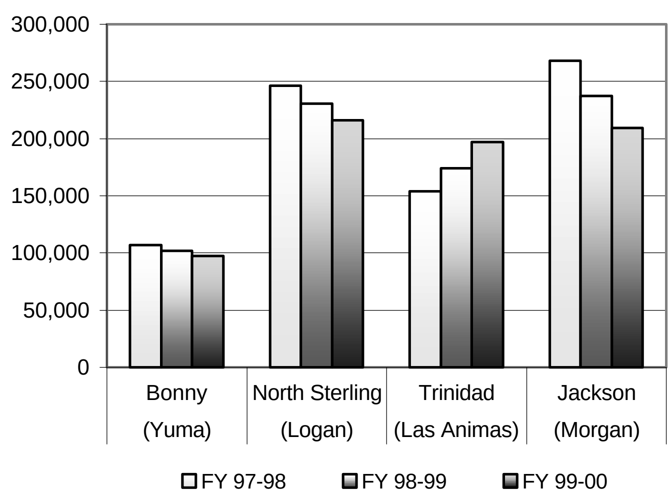
Historical crop prices indicate that crops are experiencing the bottom of a five-to-eight year cycle. Figure 5 illustrates the crop price index over the last twenty years. Information from early 2001 suggests that prices are beginning to climb out of the valley seen over the last few years. Wheat, at $3.01 per bushel in January 2001, was 38.7% higher than last year. Corn prices were $2.10 per bushel, 18.6% higher than January 2000. Barley and potato prices were 4.8% lower and 41.5% lower, respectively, than last year. Low potato prices were due to a near-record high average yield per acre in the San Luis Valley.

Retail Trade and Tourism

Eastern plains region retail trade sales experienced strong growth in 1999 with a 3.7% increase, compared with statewide retail trade growth of 8.5%. Elbert and Las Animas counties experienced double-digit growth. Counties where retail trade declined include Logan, Morgan, Cheyenne, and Kit Carson. The year 2000 may be the strongest in the past ten years for eastern region retail trade. Through November 2000, retail trade sales in the eastern plains increased 7.2% over the first eleven months of 1999, almost double the retail trade growth for 1999. The eastern region has seen positive retail trade sales growth each year since 1992.

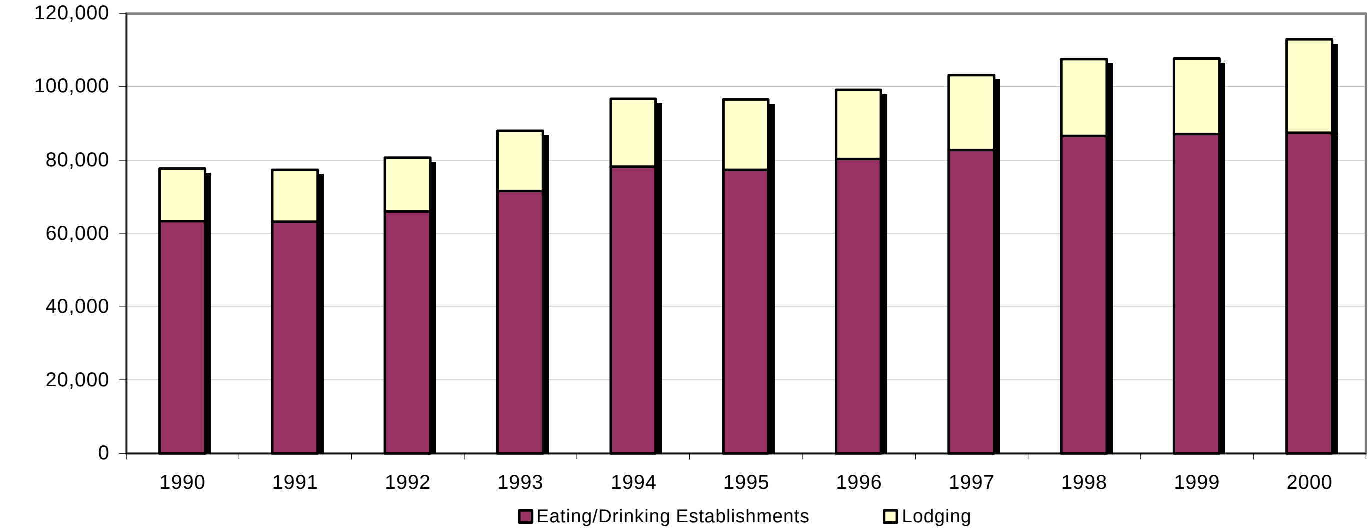
The number of visits to the Bent's Old Fort national historic site in 2000 were down 17.3% from the prior year. Most state parks reflected a similar decline,

Figure 6
State Park Visitor Estimates,
FY 1997-98 to FY 1999-00



Source: Colorado State Parks.

Figure 7
Retail Trade for Eating/Drinking Establishments and Lodging



Source: Department of Revenue. 2000 data are preliminary.

though not as sharp. However, visits to Trinidad State Park in Las Animas County increased during the past two years.

Another indicator of tourism, retail sales at lodging and restaurant establishments, suggests that 2000 was a strong year for the eastern plains. Preliminary data reveal that lodging revenue increased over 20% after years of single-digit or negative growth. The majority of this increase is due to lodging growth in Logan, Lincoln, and Kit Carson counties. Each county has a major town along an U.S. interstate highway.

Government

In the past ten years, one area of state government that has seen significant growth is the construction of prisons on the eastern plains. As of January 31, 2001, eastern plains prisons accounted for 42% of the total state inmate population. Private prisons, all of which are in the eastern region, accounted for 14% of the state population while state-run eastern prisons were responsible for holding the remaining 28% of state inmates. Table 4 shows the growth of the prisons in the eastern plains, most of which were added in the last eight years.

Table 4
Correctional Facilities in the Eastern Plains Region

Correctional Facility	County	Year Built *(year planned)*	Capacity
State - Run Prison Facilities			
Sterling Correctional Facility	Logan	1998	2,445
Limon Correctional Facility	Lincoln	1993	953
Arkansas Valley Correctional Facility	Crowley	1987	891
Trinidad Correctional Facility *	Las Animas	(2002)	480
Fort Lyon Correctional Facility *	Bent	(2001)	500
Private Prison Facilities			
Bent County Correctional Facility	Bent	1993	703
Huerfano County Correctional Facility	Huerfano	1997	756
Crowley County Correctional Facility	Crowley	1998	918
Kit Carson County Correctional Facility	Kit Carson	1998	768
Total Capacity			***8,414***

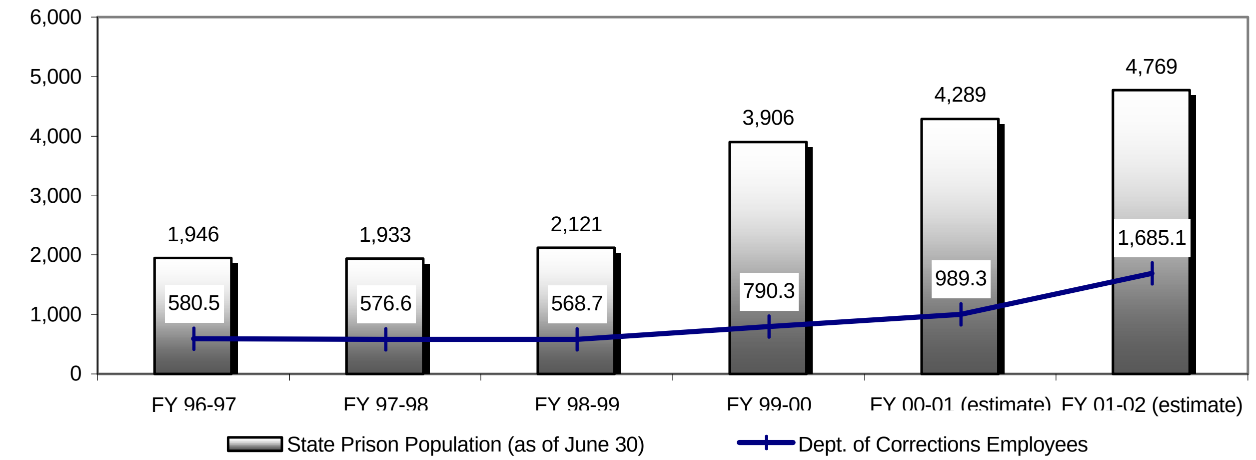
Source: Department of Corrections.
** The construction of Trinidad Correctional Facility has been approved by the General Assembly while the renovation of Fort Lyon Correctional Facility is currently under consideration by the General Assembly.*

The Sterling Correctional Facility in Logan County is Colorado's largest prison. Sterling began accepting prison inmates in the fall of 1998. As of June 1999, there were 212 inmates at Sterling. By June 2000, there were 2,064 inmates. At full capacity, it is expected to hold 2,445 prisoners and employ 875 people. It is expected that some of the employees will represent transfers from other state correctional facilities. However, the addition of new jobs at Sterling is expected to create indirect earnings through increased demand for retail and services. The cost of the 850,000-square-foot prison (on 80 acres) was estimated at $170.8 million.

Figure 8 illustrates the growth of prisoners and employment at state-run correctional facilities in eastern Colorado. The large increase from FY 1998-99 to FY 1999-00 is due to the completion of Sterling Correctional Facility.

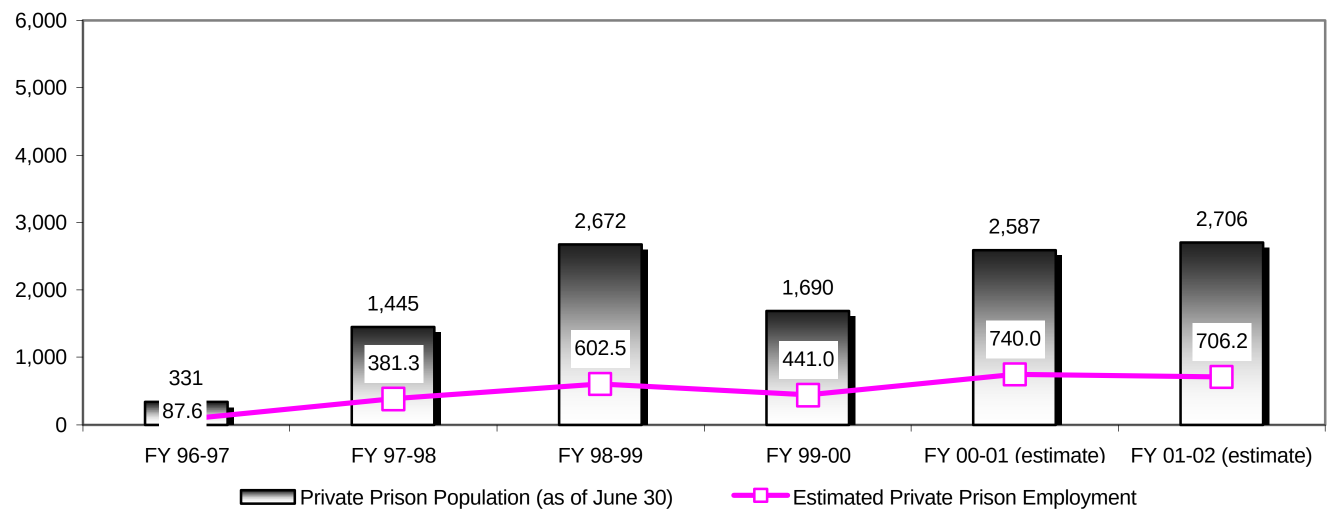
Private prisons also have a significant impact on the Eastern Plains economy. The first private prison opened in Bent County in 1993. In the last four years, three additional private prisons opened, most recently in FY 1998-99 when two prisons opened in Crowley and Kit Carson counties. By the end of that year, the Colorado Department of Corrections had placed nearly 500 inmates in Crowley and 750 inmates in Kit Carson. Figure 9 illustrates the historical and estimated inmate population as well as the employment associated with the four private prison facilities in Eastern Colorado. The inmate and employment decrease from FY 1998-99 to FY 1999-00 is due to the transfer of inmates from private operations to Sterling Correctional Facility.

Figure 8
State-Operated Prison Inmate Population and Employment, Eastern Plains



Source: Department of Corrections and Legislative Council Staff estimates.

Figure 9
Private Prison Inmate Population and Employment, Eastern Plains Region



Source: Department of Corrections and Legislative Council Staff estimates.

Construction

Among the employment sectors, the construction sector yielded the strongest gain in the past decade. The northeastern county (as measured by employment in Logan and Morgan counties) construction employment more than doubled and construction employment along the Interstate-25 corridor (Huerfano and Las Animas counties) increased an annual average of 25% per year between 1990 and 1999. Meanwhile, the statewide annual average growth rate for construction employment was 9.8% in that nine-year period. The construction gains were correlated to the population-growth counties along the I-70 (Elbert, Lincoln, and Kit Carson counties) and southern I-25 corridors. Over a nine-year period, construction employment grew at an average annual rate of 9.5% in the eastern plains.

Construction statistics from F.W. Dodge for 2000 suggest that 1999 was a peak year for the eastern plains region. In Logan County, the *value* of 2000 nonresidential construction was down 80.4% over 1999. The *number* of residential permits in Logan County, however, increased 63.9%, suggesting that the increase in nonresidential construction influenced a lagged spurt in residential development. Prowers County has not benefitted from recent growth found in other counties along interstate highways, as nonresidential construction totaled only $2.4 million in 2000. While the number of residential building contracts in Prowers County decreased 36.5% from 1999, this reflects a difference of only 35 homes under construction.

Energy

While oil and gas production in the eastern plains does not dominate statewide production, Cheyenne County was responsible for 11.7% of 1999 oil production, while Yuma and Cheyenne counties combined for 10.5% of 1999 gas production. Through August 2000, oil production in Cheyenne was down 52.6% over the first eight months of 1999 and gas production in Cheyenne and Yuma was down 27.2% over the same period. Cheyenne County is the only Colorado county in which helium is produced. In 1999, helium production decreased 22.5% despite the addition of two plants that year.

The trend of rising fuel prices has served to push the limits of the agriculture production process. According to reports of some cooperatives, a $1 rise in natural gas leads to a $35 increase in anhydrous ammonia, a key ingredient in nitrogen-based fertilizers. A typical crop between 125 and 130 acres, for instance, may use between 800 and 1,000 pounds of fertilizer per acre per year (between 100,000 and 130,000 pounds of fertilizer per year). Some fertilizer prices are double the price of a year ago.

In early 2001, the Colorado Public Utilities Commission determined that renewable wind power projects should be included in the supply of electricity production for the state. Until this decision, the PUC allowed Xcel Energy to set aside wind power as a separate production source, in which consumers would have to request renewable energy. Colorado has emerged as one of the first states in the country to include wind power projects in available energy capacity and supply. Of the three wind farm projects in Colorado, two are in the eastern plains. The Peetz wind farm near Sterling, expected to be operational by the end of 2001, will produce 26 megawatts for Xcel Energy. Enron will build wind turbines near Lamar providing up to 162 megawatts, 30% of which will be made available to Xcel Energy. The Enron project should be operational by 2002.

Summary

Although it was not able to tap into the growth to the same extent as the rest of Colorado, the eastern plains economy picked up steam in the 1990s. Agriculture remains the dominant industry and the livestock subsector has pushed Colorado to emerge as a top national producer. More economic diversity occurred, particularly in construction and retail sales. Because of its proximity to metro Denver and Colorado Springs, Elbert County became a desirable residential area as its population doubled in the last ten years. Tourism became a strong source of employment and income. The establishment of both public and private prisons in several eastern plains counties also represented an important factor in the employment growth and diversity.