



# Colorado Economic Chronicle

August 12, 2002

## National Economy

The national economy, while still showing some positive signs, is only inching through its recovery. Additionally, the annual revision of economic statistics showed that the nation met the standard definition of a recession — two or more quarters of a decline in output. The first three quarters of 2001 had a decline. Prior data indicated that only the third quarter suffered a drop in output. Inflation-adjusted **gross domestic product (GDP)** increased a surprisingly low 1.1% during the second quarter of 2002, following downward revised growth of 5.0% for the first quarter of 2002. Consumer spending increased a modest 1.9% during the second quarter. Business investment continued to decline, but investment in software and equipment rose for the first time in nearly two years. A significant contributor to the slower growth in the second quarter was the result of imports rising at nearly double the rate of exports. The negative trade balance alone cut growth by 1.8%.

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The labor market remained lackluster through July. **Nonfarm employment** increased by 6,000 jobs in July, following a revised increase of 66,000 jobs in June. Positive news included June employment

growth nearly doubling on the last revision. Also, the manufacturing sector has leveled off somewhat following drastic employment declines, losing only 7,000 jobs in July. The national **unemployment rate** held constant at 5.9% in July, though much of the stagnancy in the unemployment rate resulted from a shrinking labor force, as long out-of-work job seekers drop out of the market.

The extended downward trend in the stock market and weak labor markets have helped to erode recent gains in **consumer confidence**, as both the University of Michigan Consumer Sentiment Survey and the Conference Board Consumer Confidence Index for July declined to their lowest levels of 2002. **Personal income** increased 0.6% in June, its largest increase in nearly two years. Growth was widespread, continuing to be led by transfer payments, which includes unemployment benefits. Buoyed by continued strength in auto sales, **retail sales** increased 1.1% in June. Excluding auto sales, retail sales still increased 0.4%, bouncing back from a May decline.

The extended **manufacturing** recovery that has characterized much of 2002 appears to have slowed. The *Institute of Supply Management (ISM) Index* indicated an expanding manufacturing sector for the sixth consecutive month following an 18-month period of contraction. The pace of the recovery, however, decreased slightly, as the index fell to 50.5 in

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July, from 56.9 in June. An index above 50 indicates an expanding economy. *Industrial production* increased 0.8% in June, and was positive on a year-over-year basis for the first time since January 2001. Also, factory *capacity utilization* continued to climb, increasing for the sixth consecutive month up to 76.1%. Finally, following two months of minimal gains, *durable goods orders* declined 3.8% in June.

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Falling well below expectations, **construction** spending declined 2.2% in June. This was the second consecutive month of declines of at least 2.0%. Declines characterized every sector, led down by a 3.4% decrease in nonresidential spending. Though still higher than January levels, residential construction declined for the fourth straight month. The lowest mortgage rates in a generation are helping to keep the residential sector relatively healthy. *New and existing home sales* data were mixed in June, as new home sales increased 0.5% to record levels. Mean-

while, existing home sales experienced the largest drop in seven years, declining 11.7%.

Concerns regarding **inflation** remained on the back burner. Following flat *consumer prices* in May, prices inched up 0.1% in June. Nearly all component prices held steady and medical care costs showed its slowest increase in a year. Meanwhile, *producer prices* fell by 0.2% in July. The continued rise of health insurance costs led to a 1.0% increase in the employment cost index.

The economic recovery continues to plod ahead, though there are fears of a possible “double-dip” recession, as a falling stock market and international instability fuel the flames of economic uncertainty. The labor markets have yet to improve significantly and pose a negative risk to the economy reaching full capacity. However, there is little indication that inflation will reach higher levels in the near future. Furthermore, the real estate market remains healthy, thanks to low mortgage rates and investors diverting money away from the stock market. Though the recovery will likely continue, it will continue to be tempered by a lack of consumer confidence and only modest employment growth.

## Colorado Economy

The Colorado economy remains weak. After seasonally-adjusted employment rose in April and May, the first gains since December 2000, employment fell by 1,800 in June. Consumer spending in May was 0.9% less than a year ago, while residential and nonresidential construction also lag year-ago levels. The

telecommunications industry shakeout is still affecting Colorado, while tourism remains down from national economic weakness and wildfires in the state. Drought is severely affecting the agriculture industry.

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### Colorado's Economy at a Glance

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<b>Key Indicators</b>	<b>Direction</b>	<b>Assessment</b>
Nonfarm Employment Growth	↓	Bad
Unemployment Rate	↓	Weak
Mortgage Rates	↓	Good
Retail Trade Sales	↓	Weak
Home Prices	↑	Neutral
Nonresidential Construction	↓	Bad
Colorado Inflation Rate	↑	Bad
<b>Overall Rating</b>	<b>↑</b>	<b>Bad</b>

### Employment

After showing signs of a turnaround in April and May, Colorado’s labor market reversed course in June, albeit slightly. After adjusting for seasonal differences, nonagricultural employment fell by 1,800 in June. The trade sector had a loss of 4,800 jobs, while the services sector and the transportation and public utility category dropped 1,300 and 1,100 jobs, respectively. The construction sector picked up 2,500 jobs, while government added 2,000 workers.

The unemployment rate declined for the fourth consecutive month. June's unemployment rate of 5.0% compares with the cyclical peak of 5.7% in February 2002.

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***“Colorado’s economy is slower to recover vis-a-vis the rest of the country.”***

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Colorado’s economy is slower to recover *vis-a-vis* the rest of the country. Nonagricultural wage and salary employment declined 1.9% through June, ranking 48<sup>th</sup> in the country. In June, the state ranked last. Colorado ranked 3<sup>rd</sup> for employment growth in 2000 and 13<sup>th</sup> in 2001. Colorado still has a large exposure to weakness in the telecommunications and high-tech sectors, previously a strong point during the state’s glory years. Moreover, Colorado’s tourism sector is hurting because of the wildfires, drought, and a slowly recovering national economy.

## **Residential Real Estate**

According to the U.S. Census Bureau, total housing permits issued through June decreased 14.1%. Single-family permits declined 10.0%, while multi-family permits decreased 24.8%. Both declines were expected because of the sluggish economy. Additionally, the apartment sector is undergoing a correction after two years of rapid growth.

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***“...the average sales price of an existing single-family home in metro Denver during July was \$274,905, a record high.”***

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According to Colorado Banker Residential Brokerage, the average sales price of an existing single-family home in metro Denver during July was \$274,905, a record high. However, the real estate sector was characterized as weakening. The number of closings and homes under contract were off more than 20% from June.

Meanwhile, a third report over the past few months speculated that Denver’s housing market has a price bubble that could burst, sending the price of homes down. The slack job market, stock market decline, and lower wage increases were cited as the reasons

why prices could fall. These factors led to a 53.7% increase in the number of foreclosures in the metro-Denver area. If this pace is maintained through the remainder of 2002, the number of foreclosures would reach an 11-year high.

The apartment vacancy rate in metro Denver rose to 9.3% in the second quarter from 8.7% in the previous quarter, another sign of a weak economy. Rent concessions to attract occupants are common. The Apartment Association of Metro Denver also indicated that the average rent during the second quarter was \$810, one percent lower than a year ago.

## **Nonresidential Construction**

According to F.W. Dodge, the value of nonresidential construction decreased 16.6% through June, compared with the first six months of 2001. Affected by high vacancy rates and a weak economy, the nonresidential construction sector continues to deteriorate. The hospital and health treatment (79.2%) and amusement (168.7%) categories were the only sectors with gains through June. Construction of office buildings (-51.1%), retail facilities (-21.3%), and manufacturing facilities (-56.0%) had significant declines.

## **Agriculture**

The drought is affecting crop production across the state. The peach harvest of 17 million pounds will be approximately one million pounds less than last year. Spring freeze damage was minimal, but hot and dry conditions, as well as a lack of irrigation water, will adversely affect the harvest. Fall potato acreage is 5% higher than last year. Conditions for the potato crop are currently good, but a lack of water will likely reduce the harvested acres as well as the yield.

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***“The drought is affecting crop production across the state.”***

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The special regional report on the Eastern Plains contains information on other crop and livestock conditions.

## Transportation

The consistent improvement in Denver International Airport (DIA) traffic since the terrorist attacks last September hit a flat spot in June. While May's traffic was 5.7% lower than a year ago, June marked a 6.1% decline. Passenger traffic at DIA was down 9%, or 1.7 million passengers, for the first half of 2002.

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A new flight-training center opened up at Gateway Park near DIA. The \$50 million center will host an estimated 4,000 domestic, international, and military pilots annually.

## Gaming and Tourism

The Colorado Division of Gaming reported that adjusted gross proceeds at the three gaming towns rose 6.5% in June. For FY 2001-02, gaming proceeds rose 8.8%, following a 9.3% increase for the previous fiscal year. The industry is showing signs of maturation. While still very healthy, the high single-digit increases follow 14.5% and 15.8% gains in FY 1998-99 and FY 1999-00.

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The Denver Metro Convention and Visitors Bureau estimated that tourism will be down 10% from June through August. This period normally accounts for an estimated 40% of the annual tourism spending total. The decline is attributed to the feeble economy, regional drought and wildfires, and poor conditions in the stock market that is keeping consumer spending in check.

Hotel occupancy showed a mixed picture for June. In metro Denver, the 72.8% occupancy rate was the worst mark recorded in June since 1990. Occupancy

rates at Vail and Aspen were 44.6% and 57.5%, respectively. Forest fires surprisingly boosted occupancy rates in some areas. Colorado Springs hotels and motels had an occupancy rate of 83.4%, an increase from 76.9% in 2001. Homeowners displaced by the Hayman fires were credited for the increase. Firefighting crews, as well as displaced homeowners, positively impacted occupancy rates in Durango and Grand Junction.

Final data for the 2001-02 ski season indicated a 4.5% drop, or 520,000, in skier visits. The weak national and state economies, poor snowfall levels, and travel fears contributed to the decline. Most industry experts considered the performance better than expected. Only three major resorts posted a gain — Breckenridge, Copper Mountain, and Telluride.

## Manufacturing

Business conditions for Colorado's manufacturing industries improved in July. The Front Range Purchasing Managers' Index climbed from 50.1 in June to 56.3. All facets of the index were above 50. An index above 50 indicates that the sector is expanding.

## Business

Bankruptcy filings by individuals and businesses are on pace to break a record. Filings during the second quarter were 7 percent higher than a year ago. The poor economy was cited for the increase. Additionally, Congress is likely to pass a law this year that restricts the use of a Chapter 7 bankruptcy filing and may be partially responsible for the increase.

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To no surprise, venture capital inflows to Colorado businesses in the second quarter decreased from the previous quarter (-40%) and the same quarter in 2001 (-66%). The PricewaterhouseCoopers/Venture Economics/National Venture Capital Association MoneyTree Survey reported that 25 firms netted in-

vestments of \$142 million. Investors are looking for a high likelihood of business profitability before new venture capital investments are made.

## **Metro Denver**

Layoffs were again prevalent in the telecommunications industry in the metro-Denver area. Arapahoe County-based CSG Systems International announced at the end of July that it will cut 10% of its global workforce, or 300 to 350 jobs. The cuts are the result of the downturn in telecommunications and will occur over the next two months. The number of local layoffs has not been determined.

Englewood-based Evolving Systems, a developer of software for telecommunications companies, will reduce its work force by 45%, or 65 jobs, by the end of 2002. The cuts are part of a long-term plan to cut costs. This is the fifth round of job cuts for the company since the end of 2001.

Eighteen employees in Denver were laid off when Vanguard Airlines Inc. announced in July that the company was closing down operations. One worker will remain employed in Colorado Springs. Vanguard offered five weekday nonstop flights from Denver to Kansas City, Mo. and two daily nonstop flights from Colorado Springs to Kansas City.

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*“...Renaissance Mark...chose Denver for its corporate headquarters.”*

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In more positive news, metro Denver realized job gains in a variety of sectors. Renaissance Mark, the second-largest supplier in the North American label market, chose Denver for its corporate headquarters. In fall 2002, the company will move its headquarters and about 30 senior executives from across the country to the Denver Tech Center. Eventually, the company plans to employ about 100 people at the headquarters.

Powder River Basin Gas Corp. moved its headquarters and four company officials from Dallas to Denver at the beginning of August. The headquarters

will be based in Denver in order for officials to be closer to the company's operating base and the coal-bed methane and shallow oil reserves asset holdings in Wyoming.

In northern Douglas County, a 12,000-square-foot Hacienda Colorado Mexican restaurant is scheduled to open in November 2002. The restaurant plans to employ 150 local workers and will be located at the Meridian International Business Center.

According to the Home Builders Association of Metropolitan Denver, home building permits in the metro Denver area fell 13.2%, or 7,295 permits, through June 2001, compared with 8,404 issued for the same period last year. Apartment permits issued through June fell 42.0%, compared with the same period last year.

In the Swallow Hill area in downtown Denver, construction will begin at the end of summer 2002 on a new high-end, 12-unit condominium building. The building will feature four floors of condos and one level of parking.

Cherry Wood Center, a new 20-acre shopping center in Thornton, is scheduled to open during the fall of 2003. The center will include a 66,000-square-foot King Soopers grocery store and 34,000 square feet of other retail space.

## **Boulder Region**

Layoffs continue to plague Boulder area businesses. Exabyte Corp. will cut 170 jobs, including an unannounced number in Boulder. The maker of tape drives and tape media for data storage reduced its work force by 250 in January, including 100 in Boulder. Longmont-based Concepts Direct Inc. laid off 100 workers due to lagging sales. The seller of gift items via catalogs and the Internet also reduced the salaries of many of its remaining employees.

Boulder-based NaPro BioTherapeutics Inc. announced it will reduce its work force by 30. The company is attempting to focus more on products that will justify the long-term development costs of the drugs. DataPlay Inc. eliminated 70 to 80 jobs in

Boulder. The maker of small discs that stored music, text, and movies could not obtain additional operating capital.

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***“Kaiser Permanente launched a \$4 million expansion and renovation of its Longmont clinic.”***

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Kaiser Permanente launched a \$4 million expansion and renovation of its Longmont clinic. The project will accommodate eight new physicians and double the size of the pharmacy in a 9,500-square-foot expansion and 7,300-square-foot remodeling.

## **El Paso County**

The high-tech industry weakness continued to hit hard in **Colorado Springs**. Electronic Data Services Corp. reportedly cut 200 jobs. The firm employed just less than 1,000 workers prior to the reduction. The laid-off workers made as much as \$80,000 annually. The merger of Hewlett-Packard and Compaq Computer Corp. led to layoffs in Colorado Springs. Hewlett-Packard did not announce the number of local layoffs. The company announced earlier that it intended to pare 15,000 jobs by the end of 2003. Numerous layoffs throughout the year have led to a 0.5% decline in employment, or 1,400 jobs.

The continuing layoffs are affecting the vacancy rate in Colorado Springs. According to Turner Commercial Research of Colorado Springs, the combined vacancy rate for office space, industrial buildings, and retail space was 8.5% in the second quarter. The vacancy rate was 6.1% one year earlier. Local analysts do not expect business conditions to improve until 2003.

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Corresponding with that expected recovery, a 1.2 million-square-foot commercial and retail development will start next year in northeast Colorado Springs. Groundbreaking will begin in March for a 300,000-square-foot shopping area, named Ridgeview Marketplace and anchored by King Soopers. Construction will begin later in 2003 for a 500,000-

square-foot office park. Finally, a 40-acre parcel is envisioned for additional retail space construction in 2005.

Memorial Hospital started construction on the first of four buildings at its Briargate campus. The 63,000-square-foot building will house a pediatric facility, family medicine practitioners, and outpatient services. The new facility to serve the northern part of Colorado Springs will open in late spring 2003.

After the first increase since August 2001 in June, sales tax collections in Colorado Springs declined 8.6% in July, compared with the same month in 2001. Sales taxes from department and discount stores increased 2.4%, while sales taxes from the city's restaurants increased a modest 1.3%. Collections declined significantly in the utilities sector (-15.1%) and building materials sector (-10.5%).

## **Northern Region**

Preliminary employment data show that Larimer and Weld counties still have strong economies. Through June, employment increased 4.7% and 6.5% in Larimer and Weld counties, respectively. Meanwhile, the unemployment rate in June was 4.7% in Larimer County and 5.6% in Weld County. As a further indicator of the relative strength in the region, retail trade sales increased 3.2% through May.

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Construction started in June for a 58-unit affordable housing complex in **Wellington**. The development will have 17 single-family houses priced from \$100,000 to \$135,000, depending on the level of subsidies available. The project will also have 41 townhomes.

## **Mountain and Western Region**

**Steamboat Springs** gave approval to a 65-unit townhome project. The project is marked by a pedestrian-friendly orientation with easy access to restaurants

and other retail stores. The project has seven buildings which will be completed over the next five years. The initial building will be completed in March 2003. The unit prices will range from \$160,000 to \$325,000.

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*“A 244-unit, \$34 million affordable housing project is underway in Avon.”*

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A 244-unit, \$34 million affordable housing project is underway in **Avon**. The housing units will be primarily designed to serve workers at new Home Depot and Super Wal-Mart stores. Rents will range from \$900 to \$1,400 for workers making 80% of the area’s median income and from \$525 to \$1,200 for those at 60% of the area’s median income.

Real estate news was mixed in Eagle County. While total sales volume increased 3% during the first half of 2002, the number of sales declined 8.6%. The length of time to sell a home increased from 163 days to 238 days.

Economic growth in the **Grand Junction** area was the 17<sup>th</sup> highest among the nation’s metropolitan areas from 1991 to 2001. This growth has spilled over into 2002 as local employment increased 4.2% through the first six months of 2002. Meanwhile, the June unemployment rate in Mesa County was 4.6%, below the statewide average.

Real estate prices cooled off in **Durango** during the second quarter. The median sales price of an existing single-family home was \$245,900, compared with \$245,000 during the same period of 2001.

The Durango & Silverton Narrow Gauge Railroad resumed service on July 13 after a three-week suspension because of the high fire danger. Four trains

usually carry from 1,600 to 2,000 passengers daily at the height of the tourist season.

## **Southern Region**

The unemployment rate climbed significantly in Pueblo and Alamosa counties in June. However, the data is not adjusted for seasonal factors such as the end of the school year. These factors likely caused the increase from 5.8% to 6.5% in Pueblo County and from 4.5% to 6.2% in Alamosa County.

Preliminary data show healthy employment gains for the two counties. The number of jobs increased 1.5% in Pueblo County and 6.1% in Alamosa County. Consumer spending in both counties has outperformed the state thus far in 2002. Through May, retail trade sales increased 1.7% in Pueblo County and 1.2% in Alamosa County. In contrast, statewide sales decreased 1.5% through May.

The national and state economic slowdown has not left the region unaffected, however. Foreclosures on homes increased 23% through the second quarter of 2002.

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*“The Cumbres & Toltec Scenic Railroad started full service again on July 30, nearly two months after shutting down...”*

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The Cumbres & Toltec Scenic Railroad started full service again on July 30, nearly two months after shutting down for fears of starting a fire in the tinder-dry area. The railroad runs between Antonito in Conejos County and Chama, New Mexico. It crosses the state border 11 times during the 64-mile trip. Ridership totaled 56,000 in 2001, while the shutdown limited the number of passengers to 2,000 this year until service started up again.

## 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 June 2002)	6.1	-2.2	-0.5	-2.7	3.9	4.7	4.2	6.5	-1.8	4.3	1.5	3.6	9.3	7.2
Unemployment Rate ⇄♦ (not seasonally adjusted) (in June 2002)	6.2	5.6	6.2	5.5	3.9	4.7	4.6	5.6	3.8	4.6	6.5	4.0	2.9	3.7
Retail Trade Sales Growth – (through May 2002)	1.2	-17.5	0.6	-2.4	-2.1	1.5	4.6	6.5	-9.3	-0.5	1.7	-7.0	0.0	-1.6
Growth in Value of Non-residential Construction* (through June 2002)	-29.8	-54.4	0.2	-12.7	â	-32.1	24.6	-56.9	ã	ä	15.1	å	-61.5	æ
Housing Permit Growth * (through June 2002)	-21.6	-1.9	11.5	-15.3	0.9	-6.5	-38.8	12.6	-90.9	7.7	-31.1	-5.5	52.7	-53.3

⇄ Actual level not growth rate.

♦ Colorado Department of Labor and Employment data.

\* F.W. Dodge data.

– Colorado Department of Revenue data.

â \$12.8 million was contracted in 2002, while \$1.9 million was contracted in 2001.

ã Nothing was contracted in 2002, while \$994,000 was contracted in 2001.

ä \$1.3 million was contracted in 2002, while \$200,000 was contracted in 2001.

å \$28.0 million was contracted in 2002, while \$9.4 million was contracted in 2001.

æ \$13.4 million was contracted in 2002, while \$2.7 million was contracted in 2001.

## Colorado Indicators Year-to-Date Growth Rates

Indicator	June 2002	May 2002	2001 Annual Average
Nonfarm Employment Growth ¶	-1.9	-1.9	0.9%
Unemployment Rate ¶ ‡ (seasonally adjusted)	5.0	5.2	3.7
Housing Permit Growth ~ Single family	-14.1	-11.7	1.5
Apartments	-10.0	-10.9	-3.2
	-24.8	-14.0	12.5
Growth in Value of Nonresidential Construction §	-16.6	-12.4	-0.6
Retail	-21.3	22.3	12.8
Offices	-51.1	-53.8	-34.9
Factories	-56.0	-84.0	194.4

¶ 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 4.7% in 2001, following a 4.0% rate in 2000.*



## Regional Economic Review - Eastern Plains Region

As is the case with the state, 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 seen their economies stall during the past year. However, the region appears to be fighting the continuing economic downturn in the state better than other regions. The eastern plains experienced steady growth throughout the 1990s while it began to diversify away from agriculture. Agriculture is still the primary driver in the area's economy, but growth in the prison industry, booming "bedroom" communities for metro Denver and Colorado Springs, and support services for the tourism industry and transportation have allowed many areas in the region to maintain solid growth. Table 1 displays economic indicators for the eastern plains region.

### Population

The eastern plains continued to see reasonably strong growth in population during 2001 with an increase of 2.1%. From 1990 through 2000, the region experi-

enced an average annual growth rate of 1.8%. However, while the regions maintained growth, it was heavily centralized, with only six counties growing at a rate over 1%. They were Las Animas (5.6%), Elbert (5.2%), Logan (3.6%), Huerfano (2.8%), Morgan (1.8%), and Lincoln (1.1%) counties. Increased employment at prisons in Las Animas and Logan counties, the suburbanization of Elbert and Lincoln counties, and increased support services and tourism related to highway access led to the stronger population growth in these counties. The other counties in the region experienced very slow population growth in 2001 as the overall economy in the state entered a recession and the lack of diversity in the region's economy was felt.

### Employment

During the first half of 2002, the eastern plains saw a 5% increase in employment. The unemployment rate stood at 3.9% in June. Both of these numbers were significantly better than the state as a whole. Figure 1 displays employment growth and the unemployment rate for the eastern plains from 1988 through 2001.

**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
2001 Growth Rate	2.1	2.2
Employment Growth		
1990-2000 CAAGR	2.9	3.8
2001 Growth Rate	0.2	0.9
Year-to-date through June 2002	5.0	-1.9
Unemployment Rate (regional data not seasonally adjusted)		
1990-2000 Average	4.2	4.2
2001 Average	3.3	3.7
Year-to-date Average through June 2002	3.9	5.4
Retail Trade Sales Growth		
1990-2000 CAAGR	3.7	7.7
2001 Growth Rate	-0.2	1.6
Year-to-date through May 2002	-5.3	-1.5
Growth in the value of Nonresidential Construction, 2001	-43.5	-0.6
Growth in Permits for Residential Construction, 2001	9.9	-0.1

**Sources:**

*Population:* U.S. Census Bureau, 2001 Eastern Plains population growth estimated by Colorado Demography

*Employment:* Colorado Department of Labor and Employment, ES202 data through 2001, CES in 2002.

*Unemployment:* Colorado Department of Labor and Employment, CES data.

*Retail Trade:* Colorado Department of Revenue.

*Construction:* F.W. Dodge data for Logan and Prowers counties only.

Due to a change in the methodology for tracking industry employment, the data for 2001 is not compatible with that of 2000. Therefore, this report will only look at employment by industry trends from 1990 to 2000. Table 2 shows the composition of employment for the eastern plains in 1990 and in 2000.

The most important employment sector in the eastern plains is the **government** sector, accounting for over 29% of the region's employment in 2000. Local government workers accounted for 20.9% of the employment, while state employees were 6.0% of the

labor force and federal government workers represented 2.3% of the total. These levels were all relatively similar to 1990, when government workers represented just over 30% of the total with locals generating 22.7% of the jobs, the state 4.5%, and federal workers 3.5%. Three counties on the eastern plains (Bent 61.4%, Baca 58.6%, and Kiowa 55.7%) had over half of their employment centered in government in 2000. Three counties saw other sectors grow in importance, and substantially decreased their reliance on government jobs. Huerfano and Crowley counties generated significantly larger service industries and lowered their dependence on government jobs from 37.7% to 22.1% and from 62.9% to 46.4% respectively. However, the increase in service jobs in these counties was attributable to essentially government-related services. Both counties had private prisons open during the 1990s. Elbert County, meanwhile, went from 46.7% of its jobs in government to 22.1% as its focus changed from that of a rural area to that of a fringe suburban economy. Two other counties, Lincoln and Logan, saw their share of government workers increase as the state opened facilities during the 1990s.

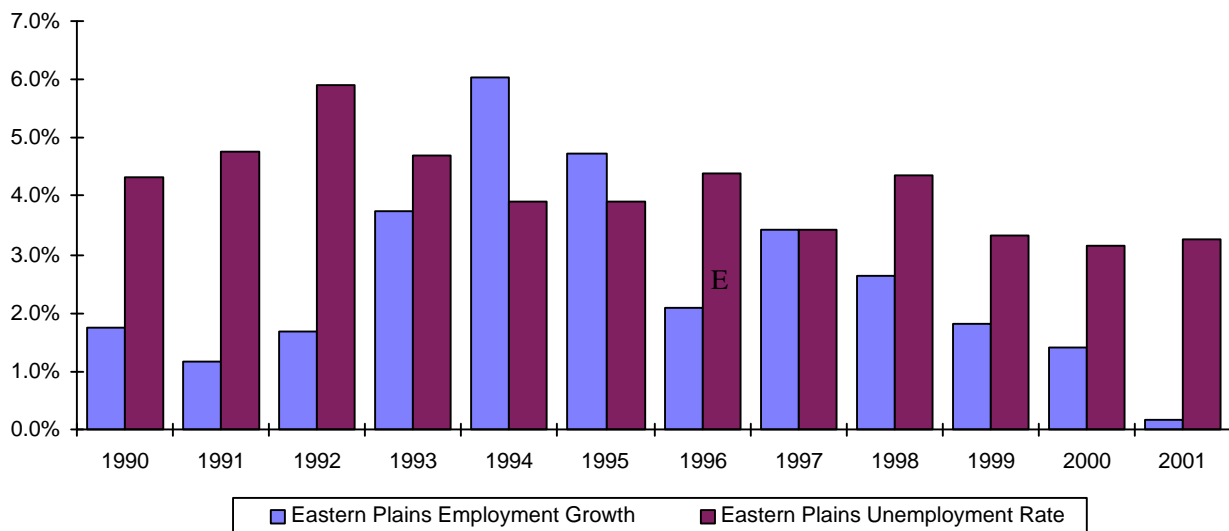
One of the primary state functions on the eastern plains is the operation of **prisons**. During the past two years, Logan County has seen a significant increase in employment due to the Sterling Correctional Facility which hired over 300 employees each year as it ramped up operations. The Sterling facility

**Table 2. Eastern Plains Employment by Industry**

Industrial Sector	Composition	Composition
Agriculture	4.1%	6.3%
Mining	2.0%	1.0%
Construction	2.7%	4.5%
Manufacturing	9.9%	10.2%
Transportation, Public Utilities, and Communications	4.3%	3.9%
Wholesale Trade	6.9%	5.2%
Retail Trade	19.4%	18.2%
Finance, Insurance, and Real Estate	4.2%	3.7%
Services	15.8%	17.6%
State Government	4.5%	6.0%
Local Government	22.7%	20.9%
Federal Government	3.5%	2.3%

Source: Colorado Division of Labor and Employment

**Figure 1. Eastern Plains Employment Growth and Unemployment Rate, 1990-2001**



is the largest in the state and will hold 2,445 prisoners and employ 875 people when it reaches capacity. The Fremont Correctional Facility added approximately 80 workers during the last year. Employment gains at prisons will continue in the coming year as employees are added at the Fort Lyons Correctional Facility in Bent County and the Trinidad Correctional Facility in Las Animas County. Private prison employers also increased employment levels in Crowley and Kit Carson counties during the past year.

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*“Employment gains at prisons will continue in the coming year...”*

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The next two most important sectors in the eastern plains economy are retail trade and services, which employed 18.2% and 17.6% of the employees in 2000 respectively. The share of employment resulting from services increased from 15.8% in 1990, while retail trade employment fell from 19.4% of the total.

**Retail trade** remains an important part of the eastern plains economy, with trade sales increasing at a 3.7% compound annual average rate during the 1990s. While sales dipped 0.2% in 2001 as consumers cut back spending during the uncertain recessionary times, local provision of goods is still a necessity in the rural areas of the plains and additional retailers have opened to support increasing populations on the western edge of the eastern plains region. Despite the overall decrease in the relative importance of retail trade in the region, Elbert, Crowley, Huerfano, Bent, Washington, and Las Animas counties saw their dependence on retail increase.

The retail trade sector in Ft. Morgan is taking a hit this summer as Home Lumber moves its operations to Longmont and Denver. The 65 employees will have the option of relocating or taking a severance package. Home Lumber had been operating in Ft. Morgan for 15 years.

The provision of **services** has grown significantly in importance to the eastern plains. The increase was primarily caused by the growth in prisons and the expansion of housing areas for metro Denver, Colorado

Springs, and Pueblo into the eastern plains. Employment in the services sector increased from 9.1% of the total in Elbert County in 1990 to 13.7% in 2000, from 3.1% to 13.7% in Bent County, from 11.7% to 32.1% in Crowley County, and from 21.4% to 36.7% in Huerfano County. Lincoln and Logan counties also saw increases as prisons sprouted up.

The **manufacturing** sector increased slightly from 9.9% of employment in 1990 to 10.2% in 2000. Continuing that trend, Wausau Homes purchased a large part of the Wiggins Industrial Park in Morgan County late last year with the intention of building a plant to assemble kits for custom home construction. The plant will employ 100 workers.

Employment in the **construction** sector increased from 2.7% to 4.5% of the workforce between 1990 and 2000. The construction sector was buoyed by residential building in areas near metro Denver and Colorado Springs. Elbert County, the prime beneficiary of this trend, went from 12.5% of its employment base in construction in 1990 to 22.2% in 2000. Elbert County saw a compound average annual growth rate of 16.8% during the period.

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*“The construction sector was buoyed by residential building in areas near metro Denver and Colorado Springs.”*

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Despite the increasing importance of prisons and services in the eastern plains economies and the continuing development of technology to aid farmers, employment in the **agricultural** industries became more important to the eastern plains during the 1990s. Agriculture increased from 4.1% of employment to 6.3% during the decade. Yuma, Prowers, and Sedgwick counties led the increases in the relative importance of farming to the region’s employment base. See the following section on agriculture and the drought for more information on agriculture in the eastern plains.

## **Agriculture and the Drought**

The entire state of Colorado has been declared a drought disaster area, with \$100 million worth of the

state's winter wheat crop, about 50%, already lost. The drought is also having a major impact on other crops, livestock, and orchards throughout the state. Most of the state is now considered to be in extreme drought, with the southwest corner of the state in exceptional drought (the highest category). The current loss in the winter wheat crop is the most since 1969, with only 38 million bushels expected to be harvested this year. The eastern plains typically produces over 80% of the state's winter wheat crop.

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***“The winter wheat yield of 23.0 bushels per acre this year will be the lowest in Colorado since 1977.”***

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The winter wheat yield of 23.0 bushels per acre this year will be the lowest in Colorado since 1977. Colorado farmers have already faced two consecutive below average winter wheat crops in a row, with production of just 66 million bushels in 2001 and 68 million bushels in 2000. The state produced over 100 million bushels in 1999. The 2001 crop was the

smallest since 1989. Table 3 displays the winter wheat production for the eastern plains in 2001.

As can be seen in the table, Washington County was the largest *winter wheat* producer in the region, followed by Kit Carson, Yuma, Baca, and Logan counties. In fact, these were the five largest producers in the state. Washington County replaced Kit Carson as the state's largest producer with a 19.2% increase in production. Yuma County ranked 7<sup>th</sup> in the state in 2000, but moved up to third with a 31.9% increase in 2001. Kiowa County experienced the biggest drop in production at nearly 50%, on top of a 36% decline the prior year.

Yuma County continued to be the state's leading *corn* producer in 2001, increasing its crop size by 15.7% to over 38 million bushels. Yuma County produced more than twice as much corn as any other county in the state. While Weld County was the second largest producer, the eastern plains accounted for the rest of the top five spots with Kit Carson, Phillips, and Morgan counties finishing 3<sup>rd</sup> through 5<sup>th</sup> respectively. The eastern plains accounted for over

**Table 3. Eastern Plains Winter Wheat and Corn for Grain Production, 2001**

County	Winter Wheat (000 bushels)	Annual Growth	Corn for Grain (000 bushels)	Annual Growth
Baca	4,820	1.6%	4,929	-16.5%
Bent	244	-2.4%	1,080	-34.9%
Cheyenne	3,518	-11.4%	3,100	6.2%
Crowley	80	-14.9%	200	-17.7%
Elbert	931	-28.9%	200	73.9%
Kiowa	2,662	-49.6%	350	-7.9%
Kit Carson	7,345	-7.6%	16,790	-3.5%
Las Animas	55	-40.9%	60	5.3%
Lincoln	3,537	-33.8%	2,005	36.9%
Logan	4,295	1.9%	9,350	-9.2%
Morgan	2,380	26.3%	14,470	6.1%
Otero	330	-34.0%	2,750	-11.0%
Phillips	4,289	29.6%	14,935	16.6%
Prowers	3,115	0.3%	2,561	-29.4%
Sedgwick	2,380	-11.0%	6,390	-5.4%
Washington	8,597	19.2%	6,990	46.7%
Yuma	5,368	31.9%	38,580	15.7%
<b>Eastern Plains *</b>	<b>53,946</b>	<b>-3.7%</b>	<b>124,740</b>	<b>5.3%</b>
<b>Percent of state</b>	<b>81.7%</b>		<b>83.3%</b>	
<b>State Total</b>	<b>66,000</b>	<b>-3.2%</b>	<b>149,800</b>	<b>3.4%</b>

\* Note: Huerfano County was excluded because it was not a significant producer of winter wheat or corn for grain.  
Source: Colorado Agricultural Statistics Service.

83.3% of the state's corn crop. Statewide, the corn crop increased by 3.4% in 2001. Table 3 also shows corn production in the eastern plains in 2001. The state's corn crop is at great risk to the drought as it is heavily dependent on irrigation in August and September, at which time there may be no water with which to irrigate.

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***“The state’s corn crop is at great risk to the drought as it is heavily dependent on irrigation in August and September, at which time there may be no water with which to irrigate.”***

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**Sunflower** production on the eastern plains increased by 10.7% during 2001. The eastern plains produced 78.7% of the state's total sunflower production during the year, which was down from 85.7% in 2000 despite the overall increase in the region's production. Kiowa County, which increased production by over 76.3% in 2001, became the state's leading producer of sunflowers. Kit Carson County was second, after leading the state in production in 2000. While Adams County was third in the state, the eastern plains counties of Lincoln, Baca, and Washington held down the next three spots.

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***“Much of the state’s grazing land is in poor condition due to the drought and many ranchers have been forced to sell some of their herds.”***

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The drought has also impacted the state's **cattle** industry. Much of the state's grazing land is in poor condition due to the drought and many ranchers have been forced to sell some of their herds. The inventory of cattle and calves in Colorado on July 1, 2002, was 6% below a year earlier. Cattle inventories nationwide are down just 1% during the same period. In addition, there was a shift from feed cattle to milk cattle during the year. Ranchers are also being hit by higher prices for purchased feed for their cattle. The eastern plains was home to 53.8% of the states cattle and calves at the beginning of the year. Yuma County had the second-largest number of cattle and calves in the state with 260,000. Logan and Morgan counties followed closely behind with 250,000 head each. The value of cattle in Colorado is holding up remarkably well considering the decline in prices at

the national level. The July Livestock and Products Price Index for the nation was down 21% from last year, with beef cattle prices off by 11.8%, hog prices down 26.1%, and milk prices 30.9% below a year earlier. In Colorado, however, beef cattle prices increased 6%, leaving them 21% higher than national prices.

The agriculture industry is very important across the eastern plains of Colorado. While the above paragraphs describe the state's major crops, the following paragraphs examine smaller crops of importance to some of the eastern plains counties. The numbers of farms and ranches is from 1997, which is the latest data available. Production data is for 2001.

**Baca County's** 608 farms and ranches produced the most sorghum in the state during 2001 at over 4 million bushels. As previously noted, the county was also 4<sup>th</sup> in the state in winter wheat production, 5<sup>th</sup> in sunflowers, and it ranked 9<sup>th</sup> in the production of corn. Hay and oats are the other important crops in the county. Baca County also ranks 9<sup>th</sup> in the number of cattle and calves raised in the county.

While only 270 farms and ranches were active in **Bent County**, they produced the 5<sup>th</sup> most sorghum for grain in the state. Bent County's production also ranked in the top 20 for alfalfa, corn, and winter wheat. The county had the 12<sup>th</sup> most cattle and calves in the state and ranked 16<sup>th</sup> in the most beef cows and heifers that have calved.

**Cheyenne County** ranks 4<sup>th</sup> in the state in the production of sorghum, producing 455,000 bushels. The county's production of 98,000 bushels of oats ranks them 6<sup>th</sup> in the state. Other important crops for Cheyenne County include sunflowers, corn, winter wheat, barley, and dry beans.

As previously mentioned, the 339 farms and ranches in **Kiowa County** led the state in the production of sunflowers, growing almost 35 million pounds in 2001. Kiowa County was also 2<sup>nd</sup> in the state in sorghum production and ranked in the top 20 for the production of winter wheat, oats, and barley.

**Kit Carson County** ranked 2<sup>nd</sup> in the state in the production of both sunflowers and winter wheat. The county's 718 farms and ranches also produced the 3<sup>rd</sup>

most corn and 5<sup>th</sup> most dry beans. Sugar beets, barley, sorghum, and oats are also important crops in Kit Carson County. In addition to all of the crop production, the county had the 5<sup>th</sup> most head of cattle and calves and the 6<sup>th</sup> most beef cows and heifers that had calved in the state.

Sunflower production was the highest ranking crop for **Lincoln County**. The county produced 20,000 bushels, 4<sup>th</sup> most in the state. The county also ranked 6<sup>th</sup> in the production of sorghum, 9<sup>th</sup> for winter wheat, and 13<sup>th</sup> for both corn and hay. While having the 15<sup>th</sup> most cattle and calves in the state, Lincoln County had the 5<sup>th</sup> largest number of beef cows and heifers that have calved.

**Logan County** produced 117,700 tons of sugar beets, ranking it 2<sup>nd</sup> in the state. The county also produced the 5<sup>th</sup> most alfalfa and the 6<sup>th</sup> most corn and winter wheat. The county produces a wide variety of crops, ranking in the top 20 for the production of oats, sorghum, spring wheat, dry beans, sunflowers, and hay. Besides the crops, the county's 879 farms and ranches had 250,000 cattle and calves, which ranked as a tie for third most in the state. The county also had the 4<sup>th</sup> most beef cows and heifers that have calved.

**Morgan County** had the most diversified crop production in the state, ranking among the top 15 producers of 11 different crops in 2001. Leading the way in the rankings were alfalfa and oats. The county ranked 4<sup>th</sup> in the production of both. The county produced over 14 million bushels of corn for grain to rank 5<sup>th</sup> and finished 6<sup>th</sup> in the production of both potatoes and sugar beets. The other top rankings were in the production of dry beans, spring wheat, sorghum, winter wheat, barley, and sunflowers. Morgan County also ranked tied for 3<sup>rd</sup> with 250,000 cattle and calves.

The four major crops produced in **Phillips County** are corn, dry beans, sugar beets, and winter wheat. The county ranked 4<sup>th</sup> in the production of the first three and 7<sup>th</sup> in the production of winter wheat. The county also had the 12 most cattle and calves in the state with 50,000.

**Prowers County's** production of 270,800 tons of alfalfa and 1.5 million bushels of sorghum ranked 2<sup>nd</sup>

and 3<sup>rd</sup> in the state respectively. The county also contributed winter wheat, corn, sunflowers, and other hays to the state's production levels. In addition, Prowers County had the 6<sup>th</sup> most cattle and calves in the state.

**Washington County** was the largest producer of winter wheat in the state with over 8.5 million bushels harvested. The county also ranked 6<sup>th</sup> in the state in the production of other hays besides alfalfa, sunflowers, and spring wheat and 7<sup>th</sup> in the production of corn and sugar beets.

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*“Washington County was the largest producer of winter wheat in the state...”*

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The state's top corn producer in 2001 was **Yuma County**. The county also produced the 2<sup>nd</sup> most dry beans and 3<sup>rd</sup> most sugar beets and winter wheat. With a diverse crop mix, the county was 5<sup>th</sup> in the state in the production of potatoes as well. The county also ranked in the top 20 for the production of sunflowers, alfalfa, oats, and sorghum. Besides being one of the state's major crop producers, Yuma County ranked 2<sup>nd</sup> in both the number of cattle and calves in the county and the number of beef cows and heifers that have calved.

Among the other eastern plains counties, **Crowley County** ranked 8<sup>th</sup> in the production of sorghum for grain and the number of cattle and calves. **Elbert County's** agricultural sector depends on the production of sunflowers and winter wheat. The county was also 6<sup>th</sup> in the state in the number of beef cows and heifers that have calved. While **Las Animas County** is not a major player in crops output, they did have the 3<sup>rd</sup> most beef cows and heifers that have calved and the 12<sup>th</sup> largest inventory of cattle and calves in the state. **Otero County** ranked 7<sup>th</sup> in the state in sorghum production and 8<sup>th</sup> in oats. The county also had the 7<sup>th</sup> most cattle and calves in the state. **Sedgwick County** ranked in the top ten in the production of dry beans, corn, and sugar beets. Other important crops in the county were sunflowers, winter wheat, barley, and oats.

In some positive news for Colorado's agricultural community, China was given permanent normal

trade relations by the World Trade Organization and will no longer be able to charge higher import duties on U.S. products than it does on other nation's products. It is anticipated that China's import duties will fall from 44% to 12% by 2004. Colorado's exports to China have dropped dramatically since 1995, but should recover by 2005.

## Mining

Cheyenne County has been one of the top oil and gas producing counties in the state. However, production has been declining in recent years. In 2001, oil production dropped 59.5% and gas production declined 75%, according to the Oil and Gas Conservation Commission. Helium extraction started in 1999 in Cheyenne County. Production was 185,000 mcf in 2000. The extraction of coal bed methane in Las Animas County ramped up during the last half of the 1990s. These fields yielded 36.7 million mcf in 2001. The county is now one of the largest gas producers in Colorado.

The Lorencito coal mine, 16 miles west of Trinidad, suspended operations in late June. The mine, which started production last September, lost a major customer. Forty employees were laid off. The coal had a high thermal content but with low amounts of sulfur making it ideal for use in the eastern portion of the country.

## Tourism

While most of the tourism activity in the eastern plains is related to serving automobile travelers passing through the area on the major highways, there are

five state parks in the region. Two of those parks, Jackson State Park in Logan County and North Sterling State Park in Morgan County, saw an increase in visitors during the last year ending in June. Both parks' visitation rates were significantly below their peak levels of the late 1990s, however. In addition, Bent's Old Fort National Historical Site in Bent County saw a 1.7% increase in visitors during 2001. Table 4 displays attendance numbers for the past 5 years at the state parks on the eastern plains.

Parts of John Martin reservoir in Bent County will become the first state park in the southeastern part of the state. Becoming a state park should increase the popularity of the area and the park will receive \$4.8 million in renovations including work on the boat ramp, a visitors center, and campground improvements with hookups.

## Summary

While lagging the state's growth, the 1990s were still good for the eastern plains region. The area also seems to be sustaining growth through the state's recession better than other regions. One of the reasons the eastern plains is outperforming the state during the recession is growth from housing construction in the western parts of the region. The housing market has remained remarkably strong during the recession, allowing a source of growth on the eastern plains to continue into the downturn. The eastern plains also has relatively little dependence on the advanced technology and finance sectors that have been hardest hit by the state's recession. The drought could become a big drain on the economy, however, as the eastern plains region is still heavily dependent on agriculture.

**Table 4. Eastern Plains State Parks Visits**

State Park	County	FY 97-98	FY 98-99	FY 99-00	FY 00-01	FY 01-02
Bonny	Yuma	106,848	102,113	97,588	90,320	76,065
North Sterling	Logan	246,018	230,407	215,787	198,345	211,043
Trinidad	Las Animas	154,179	174,319	197,090	198,667	168,268
Jackson	Morgan	268,372	237,144	209,550	223,859	231,064
John Martin	Bent	0	0	0	0	25,332