

Econometer

A Newsletter of Economic Indicators in Southwest Colorado
 from the Fort Lewis College School of Business Administration
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FOURTH QUARTER OF 2004 STILL STRONG, MOST ECONOMIC INDICATORS SHOW GROWTH

La Plata County's economy showed a slight decrease in growth in the fourth quarter of 2004 as compared to the fourth quarter of 2003. The Econometer Index, which includes several sectors of the local economy, decreased by 2.3 percent over the fourth quarter of 2003. As usual, there was a seasonal decrease of 20.5 percent in growth from the third quarter of 2004.

The National Economy

The national economy, measured by the inflation-adjusted Gross Domestic Product, continued to grow during the fourth quarter of 2004 at an annual rate of 3.8 percent, slightly up from the prior quarter's growth rate of 3.7 percent. Initial or "advance" estimates of the first quarter of 2005 show an increased annual rate of 3.1 percent. The unemployment rate of the nation's labor force was 5.2 percent in March 2005 (the most recent statistic available from the Bureau of Labor Statistics). The annual average unemployment rate for the U.S. in 2004 was 5.5 percent, which compares favorably to the annual average of 6.0 percent for 2003. An unemployment rate of 5.0 percent is widely believed to be desirable and attainable. If growth in output continues then the unemployment rate is likely to continue falling, or at least remain pretty steady, over the next several quarters. Consumer prices increased at a seasonally adjusted annual rate of 2.9 percent in the fourth quarter of 2004. This compares with an increase of 3.3 percent for all of 2004. According to the Bureau of Labor Statistics, for the first quarter of 2005, consumer prices increased at a seasonally adjusted annual rate of 4.3 percent. The index for energy, which rose 16.6 percent in 2004, advanced at a 21.1 percent seasonally adjusted annual rate in the first quarter of 2005, and accounted for about three-eighths of the first quarter advance in the overall Consumer Price Index. These price increases have induced the Federal Reserve to continue increasing interest rates recently in an attempt to slow down credit expansion and spending.

Colorado's Economy

The state's preliminary unemployment rate for March 2005 is 5.1 percent. This compares to a rate of 5.6 percent in

March, 2004. The state is finally seeing employment gains after the Colorado economy suffered a downturn during 2002 and 2003, with a net loss of nearly 75,000 jobs in those two years. Approximately 57,000 net new jobs were added to the Colorado economy over the most recent 12-month period, a growth rate of 2.7%.

National, State, and Local Comparisons

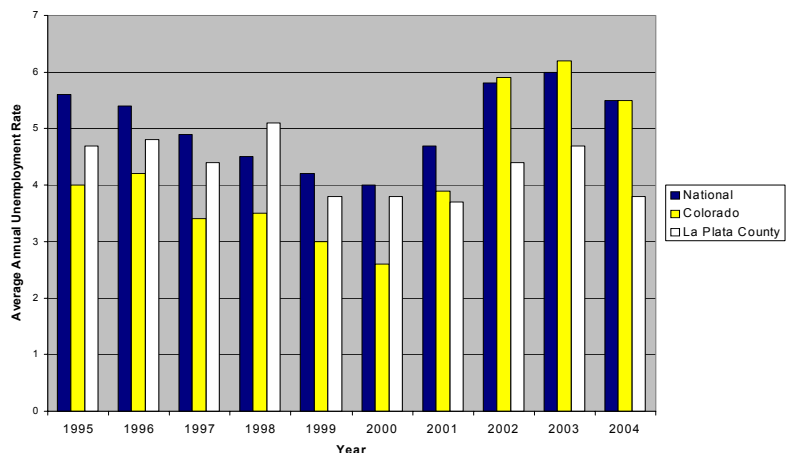
When comparing La Plata County with the national and Colorado economies with respect to unemployment and personal income, the local economy fares very well. La Plata County's unemployment rate is below both the national and the state's rates (see Table 1 and Graph 1).

TABLE 1 – Comparison of Unemployment Rates – National, State, Local

Area	2004 Annual Average Unemployment Rate	March, 2005 Unemployment Rate (Preliminary)
United States	5.50%	5.20%
Colorado	5.50%	5.10%
La Plata County	4.40%	4.00%

Sources: U.S. Department of Labor, Bureau of Labor Statistics and Colorado Department of Labor and Employment, Labor Market Information

GRAPH 1 – Comparison of Unemployment Rates - National, Colorado, La Plata County (1995-2004)



Although La Plata County’s per capita personal income is below the national and state’s level, it has been steadily growing (see Table 2). In 2002, La Plata County’s per capita personal income was 94.2 percent of the per capita personal income for the United States. In 2003, that increased to 94.7 percent. In 2002, La Plata County’s per capita personal income was 86.37 percent of the per capita personal income for the state of Colorado. In 2003, that decreased slightly to 86.24 percent. Per capita personal income is a standard measure of economic well-being. Using this measure, therefore, the economic welfare of the population of La Plata County is improving, both through time and relative to national per capita personal income.

TABLE 2 – Comparison of Per Capita Personal Income – National, State, La Plata County - 1995, 2000, 2003, 2004 (numbers are not adjusted for inflation)

Area	Per Capita Personal Income 1995	Per Capita Personal Income 2000	Per Capita Personal Income 2003	Per Capita Personal Income 2004 (P)
United States	\$23,076	\$29,845	\$31,472	\$32,937
Colorado	\$24,226	\$33,370	\$34,561	\$36,063
La Plata County	\$20,998	\$27,408	\$29,807	(NA)

Source: U.S. Department of Commerce, Bureau of Economic Analysis, National and Regional Economic Information System
 P – Preliminary Estimate
 NA – Not Available

The Econometer Index

Graph 2 illustrates the changes in the quarterly Econometer Index from quarter one of 2002 to quarter four of 2004. The graph clearly illustrates the seasonal change of the local economy from quarter to quarter. It also shows the overall upward trend in the local economy in the past three years.

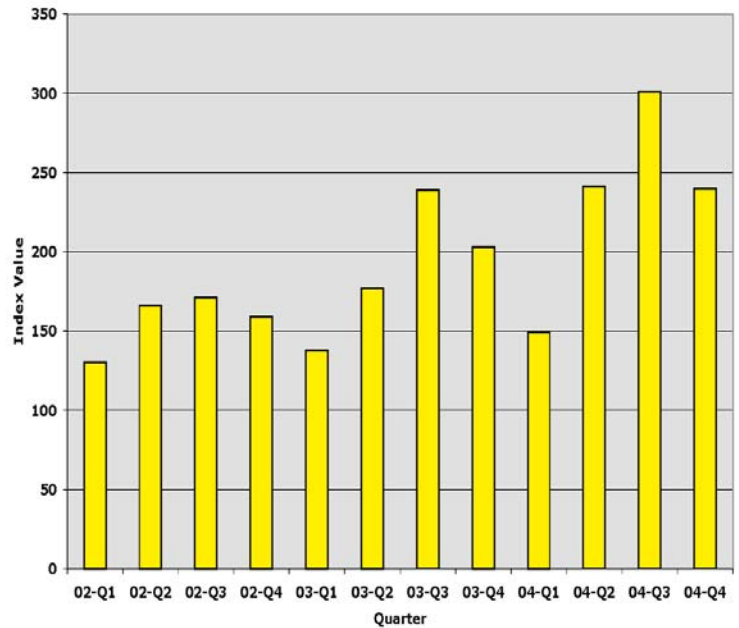
The Econometer Index uses 1990 as its base year, meaning that the index equals 100 for that year. Changes in the statistics used then are compared to the statistics of 1990 in determining the index. All dollar values are put in 1990 dollars, adjusting for overall price changes.


Quarter Four 2004 Index

On a year-to-year basis (compared to the fourth quarter of 2003), all but one of the sectors of the local economy were improved during the fourth quarter of 2004. Sectors that were stronger on an annual basis included tourism, retail sales, employment, calf prices, alfalfa hay prices, industrial activity, population, energy prices, college enrollment, bank deposits, and residential real estate prices. Construction decreased on an annual basis, pulling the index down slightly.

The La Plata County economy is very seasonal, so that some sectors of the local economy fluctuate significantly during the course of the year. This is especially true of tourism and college enrollment. Six of the sectors of the local economy expanded from the third quarter of 2004 to the fourth quarter of 2004. Those that expanded include population, residential real estate prices, bank deposits, college enrollment, industrial activity and energy prices. Declining seasonally were tourism, retail sales, employment, calf prices, alfalfa hay prices, and construction.

Graph 2 - Quarterly Econometer Index, Quarter 1, 2002-Quarter 4, 2004.





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The Econometer is a newsletter on economic indicators of Southwest Colorado published by the Office of Economic Analysis and Business Research in the Fort Lewis College School of Business Administration. For information, contact:

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Office of Economic Analysis & Business Research



ECONOMIC INDICATORS

Tourism

Quarter to Quarter - Tourism measures decreased on a seasonal basis from the third to the fourth quarter of 2004 by 61.0%. All four sectors of the tourist industry decreased on a quarter to quarter basis. Ridership on the Durango & Silverton Narrow Gauge Railroad decreased by 67.4%, enplanements at the Durango-La Plata County airport decreased by 18.3%, visitors to Mesa Verde decreased by 78.6%, and lodger's tax revenue (adjusted for inflation) decreased by 44.6%.

Year to Year - On a year-to-year basis, the tourism index increased by 13.4%. Although visits to Mesa Verde National Park decreased by 7.8% over the fourth quarter of 2003, ridership on the Railroad increased 49.5%, enplanements increased 13.9%, and lodger's tax revenue increased on an annual basis by 13.8%.

Tourism Indicators Fourth Quarter 2004		
Indicator	Number	% Change from Previous Year's Third Quarter
Mesa Verde Nat'l Park	51,572	-7.80%
Durango & Silverton Narrow Gauge Railroad	30,182	49.50%
Durango - La Plata County Airport	23,904	14%
Lodger's Tax Revenue (Adjusted for Inflation) In 1990 Dollars	\$127,458.00	13.80%

Employment

Quarter to Quarter - Employment in La Plata County is estimated by the Colorado Department of Labor and Employment. These estimates are subject to significant revisions. According to state estimates, employment in La Plata County during the fourth quarter of 2004 decreased by 1.5% from the third quarter of 2004.

Year to Year - Employment increased by 14.1% from year to year. As noted earlier, the preliminary unemployment rate of the labor force in La Plata County was estimated to be 4.0% in March, 2005. This rate is below the state's estimated rate of 5.1%.

Agriculture

Quarter to Quarter - Calf prices, after adjustment for inflation, decreased 5.0% from the third quarter of 2004 to the fourth quarter of 2004, while alfalfa hay prices decreased 2.6% during the same time frame.

Year to Year - On an annual basis, both calf and alfalfa hay prices increased. Calf prices increased by 5.6% and alfalfa hay prices increased by 7.3%.

Industrial Activity

Quarter to Quarter - Industrial kilowatt-hours used increased by 2.0% from the third quarter of 2004 to the fourth quarter of 2004.

Year to Year - On an annual basis, industrial kilowatt-hours used increased by 0.5%. Most industrial usage of electricity in La Plata County is to compress natural gas for transmission through gas pipelines.

Population

Quarter to Quarter - The number of residential electric meters in La Plata County increased by 0.5% from the third quarter of 2004 to the fourth quarter of 2004.

Year to Year - On an annual basis the number of residential electric meters increased by 3.1%. The annual increase in the number of residential electric meters suggests that the population of La Plata County is continuing to grow. The average growth rate for the years 1995 to 2004, as estimated by the installation of new residential electric meters, is 3.08 percent. The population of La Plata County was estimated to be 46,229 in 2003 (the most recent number available from the Census Bureau). Based on U.S. Internal Revenue Service reports, the majority of people moving into La Plata County are moving from within Colorado. During 2002-2003, the people who moved to La Plata County from within Colorado were mostly from the counties of Denver (2.7%), Boulder (2.6%), Archuleta (2.4%), Montezuma (2.4%), El Paso (2.2%), Jefferson (1.7%), Mesa (1.7%), Larimer (1.5%), Arapahoe (1.4%), and Montrose (1.0%). Outside of Colorado the majority of people are coming from New Mexico (9.6%), Arizona (6.4%), California (3.3%), and Texas (1.6%). From within those states, most immigrants were from San Juan (NM), Maricopa (AZ), Bernalillo (NM), San Diego (CA), Coconino (AZ), and Pima (NM) counties.

Finance

Quarter to Quarter - After adjustment for inflation, bank deposits in La Plata County increased by 2.5% from the third quarter of 2004 to the fourth quarter of 2004.

Year to Year - On an annual basis, bank deposits increased by 5.9% from the fourth quarter of 2003 to the fourth quarter of 2004. Bank deposits are an important indicator of the economic health of the community as well as an indicator of the ability of local banks to make loans to consumers and business borrowers.

Fort Lewis College

Quarter to Quarter - Enrollment at Fort Lewis College showed a seasonal increase from the third quarter of 2004 to the fourth quarter of 2004 of 184.1% (two months of the third quarter include summer enrollment, which is considerably lower than fall or winter enrollments).

Year to Year - Enrollment on an annual basis increased by 0.2%. This increase is most likely due to an improvement in retention at the college, as well as improvements in outreach efforts to potential students. The college stabilizes the local economy on a seasonal basis because most spending by students occurs during the September through April time frame while tourism activity peaks during the summer months.

Construction

Quarter to Quarter - Construction activity in La Plata County can show volatility on a quarter to quarter basis due to permits being issued to very large projects in one month that actually contribute to the local economy over a long period of time. After adjustment for inflation, construction decreased from the third quarter of 2004 to the fourth quarter of 2004 by 48.6%. Part of this decrease from the third to the fourth quarter of 2004 is due to the high value of the permit issued for

ECONOMIC INDICATORS (cont)

the construction of the new Mercy Medical Center in the third quarter of 2004.

Year to Year – On an annual basis, construction activity decreased by 30.1% (comparing the fourth quarter of 2003 to the fourth quarter of 2004). The strong activity in the construction sector in recent years has helped to boost the local economy.

Energy Prices

Quarter to Quarter - The federal government's energy price index (adjusted for inflation) increased by 12.0% from quarter to quarter.

Year to Year - On an annual basis the energy price index increased by 38.1%. Energy prices are highly volatile. Energy prices are very important to La Plata County because the county is a major producer of natural gas. Rents and royalties, as well as property tax revenues associated with natural gas production, are significant sources of income to La Plata County.

Real Estate

Quarter to Quarter - The median price of residential real

estate in La Plata County, after adjustment for inflation, increased by 14.7% from the third quarter of 2004 to the fourth quarter of 2004.

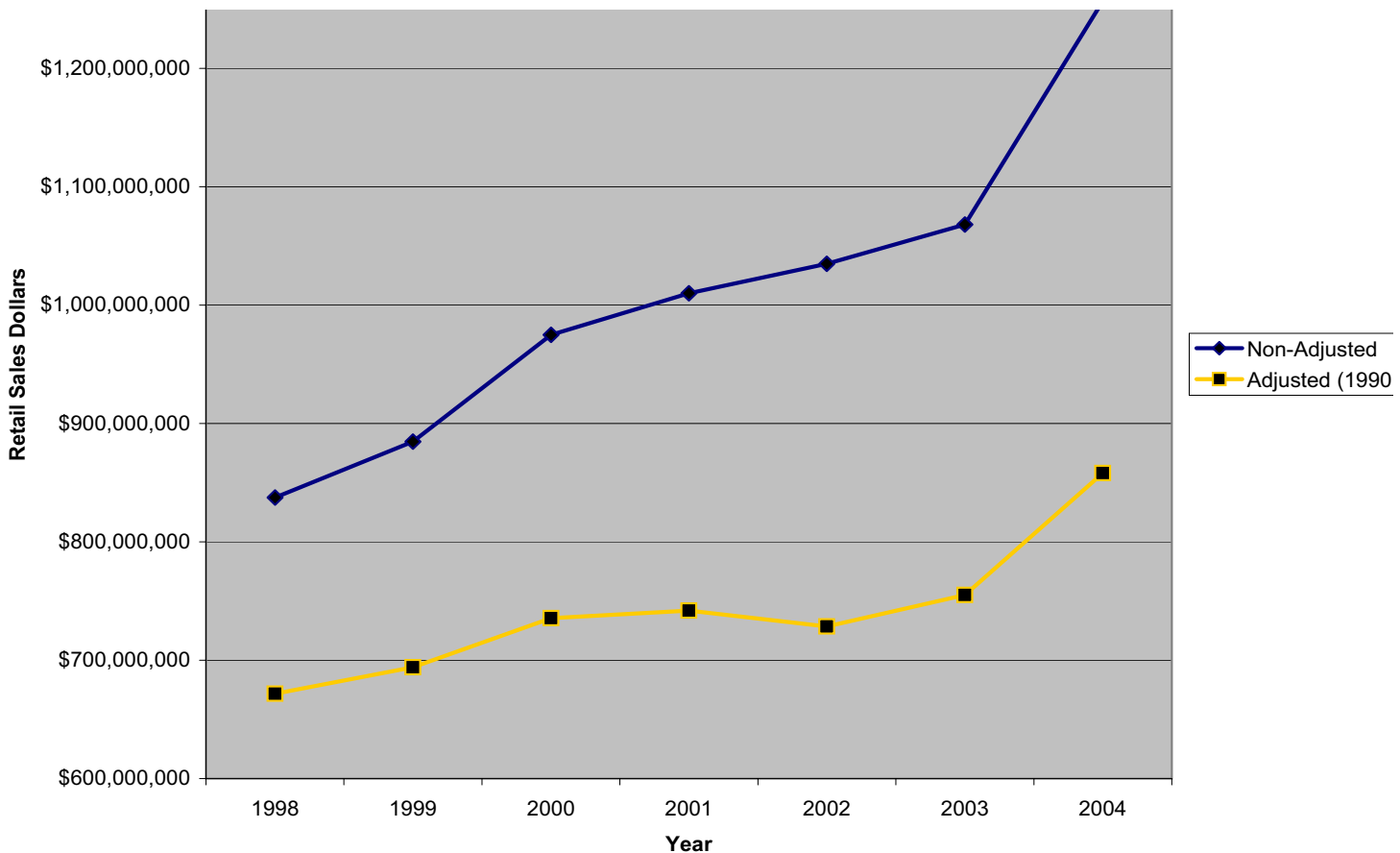
Year to Year - The annual increase in the median residential real estate price (adjusted for inflation – in 1990 dollars) in La Plata County was 31.2%, from \$158,224.00 in the fourth quarter of 2003 to \$207,480.00 in the fourth quarter of 2004. In the absence of adjusting these prices to 1990 dollars, the median residential real estate price in the fourth quarter of 2004 was \$308,750.00, in the fourth quarter of 2003 it was \$224,750.00.

Retailing

Quarter to Quarter - Retail sales, after adjustment for inflation, decreased from the third quarter of 2004 to the fourth quarter of 2004 by 4.4%.

Year to Year – Comparing the fourth quarter of 2003 to the fourth quarter of 2004, retail sales increased by 17.5%. As Graph 3 shows, retail sales in La Plata County have started to increase again, after showing signs of leveling off over the past seven years, (especially when inflation is taken into account).

**GRAPH 3 – Total Retail Sales in La Plata County, 1998-2004
(Non-Adjusted and Adjusted for Inflation – 1990 \$s)**



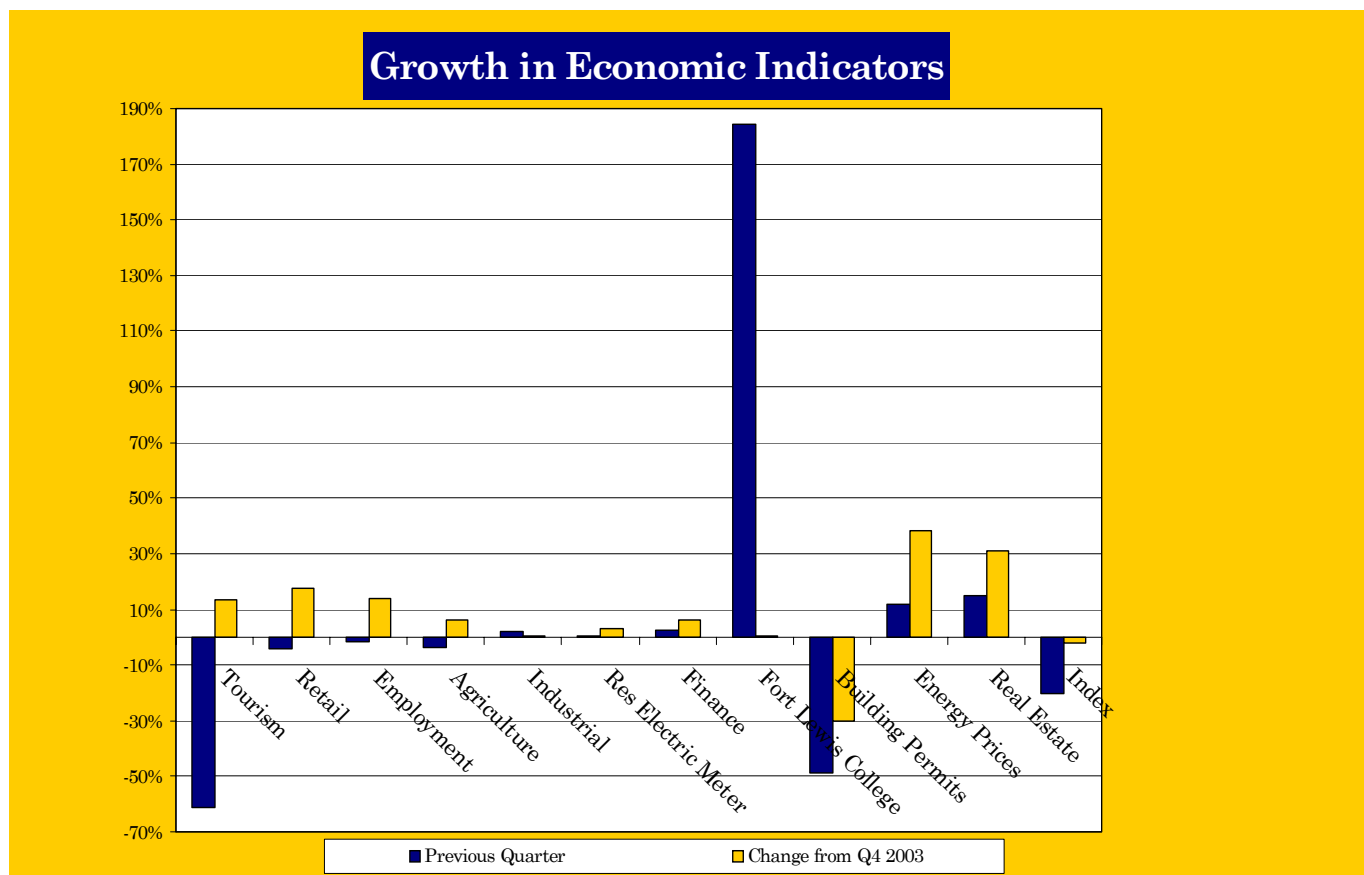
Methodology

The base period for the Econometer Index is 1990. Data is developed on a quarterly basis, usually from monthly sources. Monetary data are adjusted to the 1990 price level so that analysis may be done in real terms. Weights used in the Index are: Tourism(.275), Retail Sales(.25), Employment(.05), Agriculture(.05), Industrial Kilowatt Hours(.05), FLC Enrollment(.10), Building Permits(.10), Energy Prices(.025), Residential Real Estate Prices(.025), Residential Electric meters(.025), Bank Deposits(.05).

Tourism includes train ridership, Mesa Verde visitors, airport passenger activity and lodger's tax revenue. Agriculture includes calf and alfalfa hay prices.

The index is revised periodically to ensure that it accurately reflects the developing economy of Southwest Colorado.

Growth in Economic Indicators		
Indicator	Previous Quarter	Change from Q4 2003
Tourism	-61%	13.40%
Retail	-4.40%	17.50%
Employment	-1.50%	14.10%
Agriculture	-3.80%	6.30%
Industrial	2%	0.50%
Res Electric Meter	0.50%	3.10%
Finance	2.50%	5.90%
Fort Lewis College	184.10%	0.20%
Building Permits	-48.60%	-30.10%
Energy Prices	12%	38.10%
Real Estate	14.70%	31.20%
Index	-20.50%	-2.30%



Visit the Econometer on the web at
[Http://soba.fortlewis.edu/soba/pub/econo.htm](http://soba.fortlewis.edu/soba/pub/econo.htm)

SOUTHWEST COLORADO ENTREPRENEURIAL ENTRY INDEX

By James “Mickey” Kreger, Student, Fort Lewis College

As an individual looking for a means of living comfortably in southwest Colorado, starting a business can be the best way to accomplish one’s goals. Having your own business can be a lot more work than working for someone else, but the rewards reflect the hard work required. The rewards include the freedom to compete in product and labor markets of one’s own choosing and the ability to be one’s own boss.

Colorado culture encourages individualism and Colorado’s business culture reflects the same attitude. One of the first things someone looking to start a business in Colorado will want to do is obtain a copy of the *Colorado Business Resource Guide*. This informative and comprehensive guide was put together by the U.S. Small Business Administration. It lays out everything one might need to start a business in the state of Colorado. Using the guide as a starting point will help any potential business owner make the contacts necessary to be successful. The Guide can be found online <http://www.state.co.us/oed/guide/>. Also, one of the best kept small business resource secrets is the Small Business Development Center (SBDC) Network in Colorado. The SBDC’s provide a full range of business counseling and training services. Free counseling is provided on business start-up, operations, business valuation, benchmark analysis, financing options, business plan reviews and many other business topics. The Fort Lewis College SBDC provides services to the five county Region 9 area in southwestern Colorado and can be reached at 970-247-7009 or by email at sbdc@fortlewis.edu or on the web at <http://soba.fortlewis.edu/sbdc>.

There are particular “legal” barriers to starting a business that potential entrepreneurs need to be aware of. This article analyzes the legal barriers to entry that those who want to start a business will encounter in seven of Colorado’s southwestern counties: Archuleta, La Plata, Mineral, Montezuma, Ouray, San Juan, and San Miguel counties. It is similar to an economic freedom index but it is tailored to be more localized. In recent years Colorado has scored highly in US economic freedom indexes. This is because Colorado is typically pro-business and is less restrictive

to businesses than other states.

Counties in Colorado are considered to be subdivisions of the state government that work to

oversee state programs at the local level. County governments govern over urban and rural areas within county boundaries. Counties do not have a court system of their own and have no legislative powers besides the ones delegated to them by the General Assembly. Anyone starting a business in the counties above is subject to the laws and regulations of the State of Colorado.

Most of the regulations that businesses are going to face are at the federal and state levels, but counties do have their own specific regulations. The barriers to entry chosen for each county were done so with the perspective of a person looking to start a business in one of the mentioned counties in Colorado. The barriers to entry include: The Cost of a Business License, Local Sales/Use Tax Rates, Industry Specific Regulations and any other barriers a business person might face while starting or moving a business. Most universal barriers are presented in the chart on the next page, but others can be found at the specific links presented below.

Based on the barriers to entry chosen, the counties included in this study can be ranked with respect to how business friendly they are. The Entrepreneurial Entry Index chart shows the rankings that were decided upon after analysis, starting with the least restrictive county and ending with the most restrictive county. However, all of the counties can be considered business friendly.

	Cost of Business License/Tax License	% Local Sales/ Use Tax Rates	Specific Regulations/ Fee Schedules
COLORADO	\$50.00 ¹ / \$16.00	2.9 / 2.9	

¹See Colorado Fee Schedule for specific information.

	Cost of Business License/Tax License	% Local Sales/ Use Tax Rates	Specific Regulations/ Fee Schedules
COLORADO	\$50.00 ¹ / \$16.00	2.9 / 2.9	
Ouray		1 / none	see attached
Ouray	none needed	3 / none	
Ridgeway*	none needed / \$25.00	3 / none	
La Plata	none needed	2 / none	a (Durango omitted) / see attached
Bayfield	none needed	2 / none	
Durango*	\$15.00 / \$2.50	2.5 / none	
Ignacio	none needed	2 / none	
Mineral	none needed	2.6 / none	a / see attached
Creede	none needed	2 / none	
Montezuma	none needed	.45 / .45	a (Cortez omitted) / see attached
Cortez*	none needed / \$10.00	4.05 / none	
Dolores	none needed	3.5 / none	
Mancos	none needed	4 / none	
San Miguel	none needed	1-Jan	b / see attached
Mountain Village	none needed	4.5 / none	
Norwood	none needed	3 / none	
Sawpit	none needed	3-Mar	
Telluride	none needed	4.5 / 4.5	
San Juan	none needed	4 / none	b / see attached
Archuleta	none needed	4 / none	a / see attached

*Home rule cities collect their own city taxes.

a) County Lodging Tax 1.9%

b) County Lodging Tax 2.0%



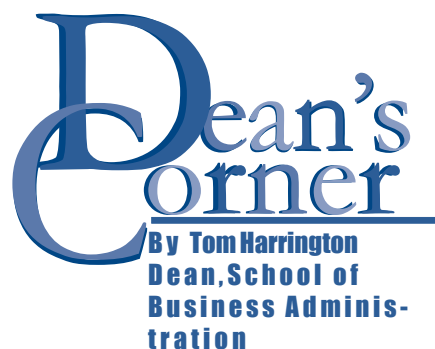
SOUTHWEST COLORADO (cont)

Fee Schedules and Contacts

Colorado	: www.sos.state.co.us/pubs/business/main.htm
Archuleta	: www.archuletacounty.org/ImportantInfo/ImportantInfo.htm
La Plata	: http://co.laplata.co.us/feeschedule
Mineral	: www.creede.com
Montezuma	: www.co.montezuma.co.us
Ouray	: www.co.ouray.co.us
San Juan	: www.silvertoncolorado.com/index.asp?DocumentID=313
San Miguel	: www.sanmiguelcounty.org

ABOUT THE AUTHOR

James "Mickey" Kreger is a senior at Fort Lewis College majoring in economics with a minor in philosophy. He is in the process of starting his own window washing business in La Plata County.



We ended an exciting academic and community partnership year with the graduation of 203 business, economics and accounting students at our April 31, 2005 Commencement. Our enrollment was 866 students representing an 8% increase over

last year. As a reflection of our diversity, 37% percent of our students are female, 14% Native American, 5% Hispanic, 1% Black, and 1% Asian. We also had 24 international students. We continued our community partnership activity with a Spring Family Business Forum, sponsored by the Durango Herald. We now recognize over 125 multi-generational family businesses which contribute much to the vibrancy of the regional economy. Our students also wrapped up a number of course-based business research and consulting projects – supporting our mission of regional economic development. The end of this academic year also brings us to a warm farewell to six wonderful SOBA colleagues, whose retirement brings to a close 95.5 combined years of dedicated teaching and service to the School of Business Administration and Fort Lewis College. I would like to take this space as a tribute to these SOBA stars.

Chuck Tustin, Emeritus Professor of Business Administration, joined SOBA in September 1986 and quickly became respected as the "consummate educator" of leadership, strategic planning, process management, and statistics. Chuck

filled in wherever needed in the teaching arena, covering a record 18 different courses both at Fort Lewis College and in our Junior Trimester Abroad International Program.

Ray Schumde first joined SOBA to deliver a writing workshop in June 1997, and began teaching Writing in the Business World in 1998, after a successful career as an English Instructor at Eastern Illinois University, consultant and freelance writer, and business manager for the Eastern Illinois Railroad to name a few career highlights. Ray was noted for taking his mission to teach writing to students in a very serious and demanding way.

Nancy Oppenheim wrote in her letter of application, December 3, 1996, "My goal as a professor at Fort Lewis College would be to teach students how to become autonomous learners." The Academy of Legal Studies recognized Nancy's dedication to that goal by naming her Business Law Professor of the Year and Master Teacher. Nancy also excelled at scholarship as was evidenced by her being named a Fort Lewis College Featured Scholar.

Rich Podlesnik, Professor Emeritus, joined SOBA in 1979. In his letter of recommendation for the rank of Professor in 1986 we read, "In regards to mature leadership, Rich's performance has been excellent...in campus external relations through the State Board of Agriculture activities as well as leading students in consulting projects; he is a sound teacher; and has engaged in a variety of activities including publications..."

Larry Goff, Professor Emeritus, joined SOBA in 1985, and taught a remarkable 13 different courses besides his specialty courses in business law. His dedication to teaching was recognized by his receipt of the Alice Admire Outstanding Teacher Award, and by the evaluation comment, "No one is more giving and caring for FLC students; thank you for your endless devotion of service... your students and colleagues truly value your excellent teaching."

Roy Cook, Professor Emeritus, joined SOBA in 1989 after a very successful business career. He quickly assumed the leadership roles of acting assistant dean in 1995, full professor in 1998, and Associate Dean in 2002. Roy's dedication to service was first commended by the State Board of Agriculture for establishing community out reach in 1991, and continued by his receipt of the Society for Case Research Phil Fisher Service Award in 2004. He was not only a master teacher, student advisor and problem solver, but also one of our Fort Lewis College Featured Scholars.

We wish our six colleagues the best as they head into retirement. They truly demonstrate the new SOBA tag line created by our Senior Seminar students this past semester, "SOBA Pride... Nationwide."



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