



# Econometer

**A Newsletter of Economic Indicators in Southwest Colorado  
from the Fort Lewis College School of Business Administration  
Volume 15, Number 4 • Fall 2005**

## SECOND QUARTER OF 2005 INDICATES STABLE ECONOMY

According to the Econometer Index, in the second quarter of 2005 La Plata County's economy remained fairly stable, showing a slight decline of 1.74 percent from the second quarter of 2004. As usual, there was a seasonal increase in growth of 19.2 percent from the first quarter of 2005.

### The National Economy

Real Gross Domestic Product (GDP), the output of goods and services produced by labor and property located in the United States, increased at an annual rate of 3.3 percent in the second quarter of 2005, according to preliminary estimates released by the Bureau of Economic Analysis. This compares to a rate of growth of 3.8 percent in the first quarter of 2005 and to a growth rate of 3.5 percent in the second quarter of 2004. The major contributors to the increase in real GDP in the second quarter were personal consumption expenditures, exports, equipment and software, residential fixed investment, and government spending. Imports, which are not produced in the United States and therefore subtracted when calculating GDP, increased.

The unemployment rate of the nation's labor force was 4.9 percent in August 2005 (the most recent statistic available from the Bureau of Labor Statistics). The average unemployment rate in the nation for the first six months of 2005 was 5.18 percent. An unemployment rate of 5.0 percent is widely believed to be desirable and attainable. According to the Bureau of Labor Statistics, in August, the unemployment rate for adult men was 4.9 percent, for adult women it was 4.9 percent, for teenagers it was 16.5 percent, for whites it was 4.2 percent, for blacks it was 9.6 percent, and for Hispanics or Latinos it was 5.8 percent.

During the first eight months of 2005, the CPI-U rose at a 3.9 percent seasonally adjusted annual rate (SAAR), according to the Bureau of Labor Statistics. This compares with an increase of 3.3 percent for all of 2004. The index for energy, which increased 16.6 percent in 2004, advanced at a 25.7 percent SAAR in the first eight months of 2005. Petroleum-based energy costs increased at a 40.8 percent annual rate and charges for energy services rose at a 9.0 percent annual rate.

The food index has increased at a 2.1 percent rate thus far in 2005, following a 2.7 percent rise for all of 2004. Excluding food and energy, the CPI-U advanced at a 2.0 percent SAAR in the first eight months of 2005 after advancing 2.2 percent in all of 2004.

### Colorado's Economy

According to the Colorado Department of Labor and Unemployment, four of the eleven major industries in the state showed increased employment, one had a loss, and six remained fairly steady. Construction led the pack with a gain of 2,000 jobs. Professional and business services added 1,500, with strength found in its administrative and support services sector. Leisure and hospitality rose 1,000, driven by accommodation and food services. Trade, transportation, and utilities was up 600, while information, off by 200, was the only industry to post a loss. The state's preliminary unemployment rate for August 2005 was 5.0 percent.

### 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 continues to remain below both the national and the state's rates (see Table 1).

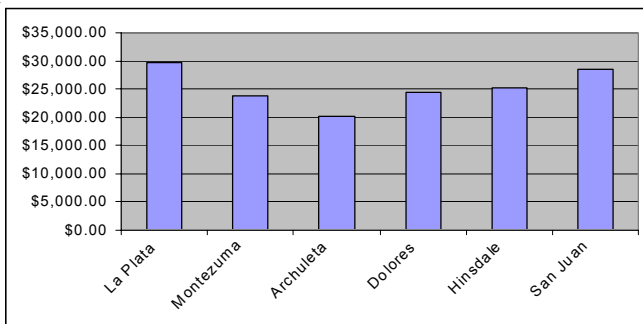
**TABLE 1 – Comparison of Unemployment Rates – National, State, Local**

Area	2004 Annual Average Unemployment Rate	August 2005 Unemployment Rate (Preliminary)
United States	5.50%	4.90%
Colorado	5.50%	5.00%
La Plata County	4.40%	3.30%

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

Along with employment and unemployment numbers, per capita personal income is also used as a standard measure of economic well-being. Preliminary 2004 per capita personal income in Colorado is \$36,063, which is the seventh highest in the nation (following Connecticut, Massachusetts, New Jersey, Maryland, New York and New Hampshire). Per capita income in La Plata County has improved over the last few years, both absolutely and relative to national per capita personal income. With a 2003 per capita personal income of \$29,807, La Plata County is ranked 30<sup>th</sup> out of 78 counties in Colorado and has the highest per capita personal income of surrounding counties. See Graph 1.

**GRAPH 1 – Comparison of Per Capita Personal Income – La Plata County and Surrounding Counties (2003)**



Source: U.S. Department of Commerce, Bureau of Economic Analysis, National and Regional Economic Information System

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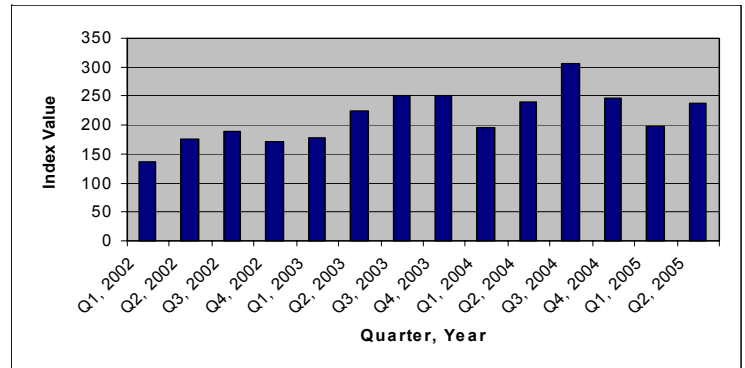
The Econometer is a newsletter on economic indicators of Southwest Colorado published by the Office of Economic Analysis and Business Research in the Fort Lewis College School of Business Administration. For information, contact:

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**THE ECONOMETER INDEX**

Graph 2 illustrates the changes in the quarterly Econometer Index from quarter one of 2002 to quarter two of 2005. The graph clearly illustrates the seasonal change of the local economy from quarter to quarter. It also shows the stability from Quarter 2 of 2004 to Quarter 2 of 2005.

**GRAPH 2 – Quarterly Econometer Index, Quarter 1, 2002 – Quarter 2, 2005**



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 One 2005 Index**

On a year-to-year basis (compared to the second quarter of 2004), half of the sectors of the local economy were improved during the second quarter of 2005. Sectors which were stronger on an annual basis included calf prices, alfalfa hay prices, population, energy prices, bank deposits and residential real estate prices. College enrollment, industrial activity, tourism, retail sales, employment, and construction decreased on an annual basis.

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. Ten of the sectors of the local economy seasonally increased from the first to the second quarter of 2005. Those that increased include tourism, retail sales, calf prices, alfalfa hay prices, industrial activity, real estate prices, bank deposits, construction activity, population and energy prices. Decreasing from quarter to quarter were employment and college enrollment.

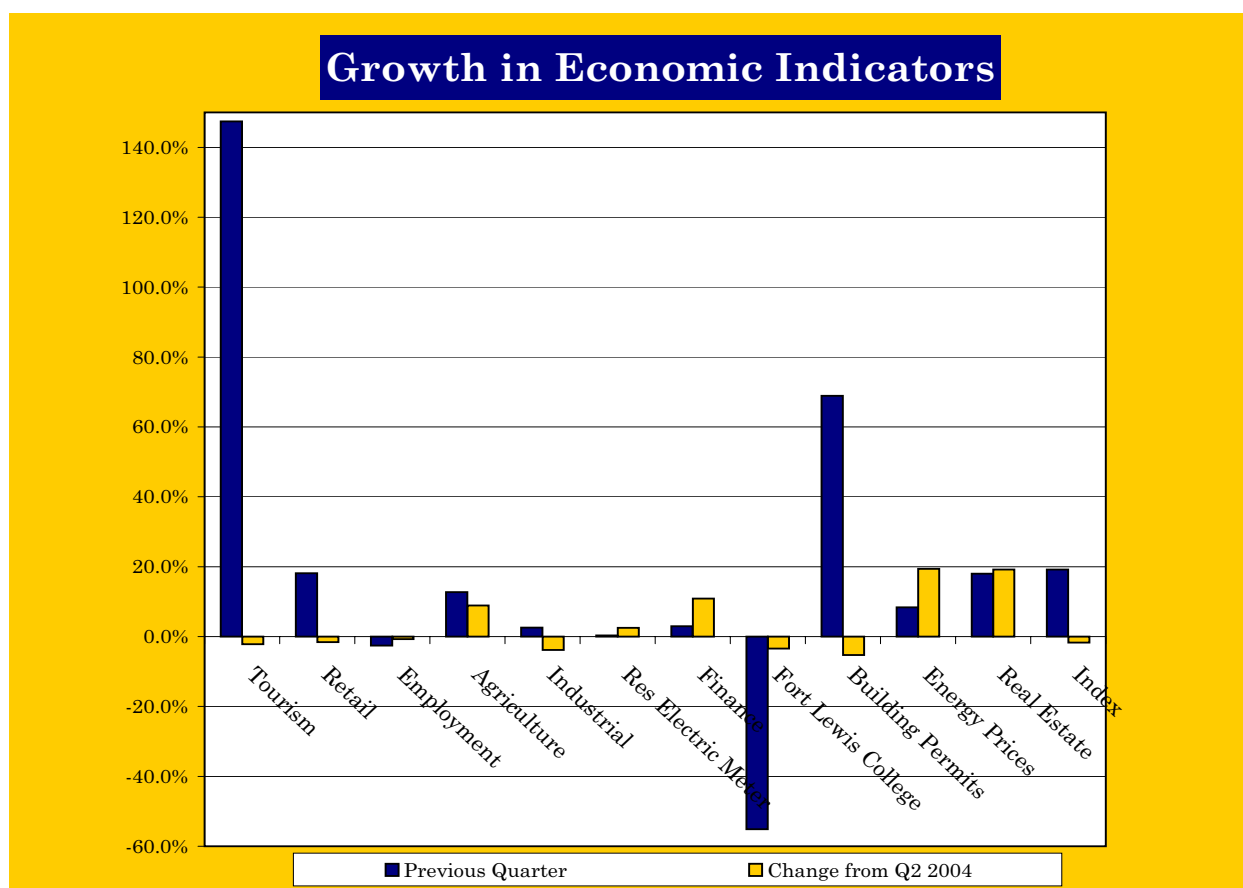
## Methodology

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 Q2 2004	
Tourism	147.4%	-2.2%	
Retail	18.1%	-1.6%	
Employment	-2.6%	-0.7%	
Agriculture	12.7%	8.9%	
Industrial	2.6%	-3.8%	
Res Electric Meter	0.3%	2.5%	
Finance	3.0%	10.9%	
Fort Lewis College	-55.1%	-3.4%	
Building Permits	68.9%	-5.3%	
Energy Prices	8.4%	19.4%	
Real Estate	18.0%	19.2%	
Index	19.2%	-1.7%	



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[Http://soba.fortlewis.edu/soba/pub/econo.htm](http://soba.fortlewis.edu/soba/pub/econo.htm)

## ECONOMIC INDICATORS

### Tourism

**Quarter to Quarter** - Tourism measures increased on a seasonal basis from the first quarter to the second quarter of 2005 by 147.4%. All four sectors of the tourist industry increased on a quarter to quarter basis. Ridership on the Durango & Silverton Narrow Gauge Railroad increased by 595%, visitors to Mesa Verde increased by 544%, enplanements at the Durango-La Plata County Airport increased by 1.0% and lodger's tax revenue (adjusted for inflation) increased by 15%.

**Year to Year** - On a year-to-year basis, the tourism index decreased by 2.2%. Visits to Mesa Verde National Park decreased by 3.4% over the second quarter of 2004, ridership on the Railroad decreased 0.16%, enplanements increased 2.5%, and lodger's tax revenue (adjusted for inflation) decreased on an annual basis by 3.6%.

Tourism Indicators Second Quarter 2005		
Indicator	Number	% Change from Previous Year's Second Quarter
Mesa Verde Nat'l Park	147,838	-3.4%
Durango & Silverton Narrow Gauge Railroad	46,840	-0.16%
Durango - La Plata County Airport	22,249	2.5%
Lodger's Tax Revenue In 1990 Dollars	\$88,766.00	-3.6%

### Retailing

**Quarter to Quarter** - Retail sales, after adjustment for inflation, increased from the first quarter to the second quarter of 2005 by 18.1%.

**Year to Year** - Comparing the second quarter of 2004 to the second quarter of 2005, retail sales, after adjustment for inflation, decreased by 1.6%.

### 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 in the second quarter of 2005 decreased by 2.6% from the first quarter of 2005.

**Year to Year** - Employment decreased by 0.73% from year to year. As noted earlier, the preliminary unemployment rate of the labor force in La Plata County was estimated to be 3.3% in August, 2005. This rate is below the state's estimated rate of 5.0%. The unemployment rate represents the number of unemployed as a percent of the total labor force.

### Agriculture

**Quarter to Quarter** - Calf prices, after adjustment for inflation, increased 7.5% from the first to the second quarter of 2005, while alfalfa hay prices increased 18% during the same time frame.

**Year to Year** - On an annual basis, both calf and alfalfa hay prices increased. Calf prices increased by 12% and alfalfa hay prices increased by 5.8%.

### Industrial Activity

**Quarter to Quarter** - Industrial kilowatt-hours used increased by 2.6% from the first to the second quarter of 2005.

**Year to Year** - On an annual basis, industrial kilowatt-hours used decreased by 3.8%. 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 0.3% from the first to the second quarter of 2005.

**Year to Year** - On an annual basis the number of residential electric meters increased by 2.5%. 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).

### Finance

**Quarter to Quarter** - After adjustment for inflation, bank deposits in La Plata County increased by 3% from the first to the second quarter of 2005.

**Year to Year** - On an annual basis, bank deposits increased by 10.9% from the second quarter of 2004 to the second quarter of 2005. 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 decreased from the first to the second quarter of 2005 (from the winter to the first and second summer terms) by 55.1%.

**Year to Year** - Enrollment on an annual basis decreased by 3.4%. 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.

## ECONOMIC INDICATORS (cont)

### Construction

**Quarter to Quarter** - After adjustment for inflation, construction increased from the first to the second quarter of 2005 by 68.9%. 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.

**Year to Year** – On an annual basis construction activity decreased by 5.3%. 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 8.4% from quarter to quarter.

**Year to Year** – On an annual basis the energy price index increased by 19.4%. Energy prices are highly volatile on a quarterly basis, however, there has been an overall increase in energy prices since the beginning of 2002. 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 18% from the first to the second quarter of 2005.

**Year to Year** - The annual increase in the median residential real estate price (adjusted for inflation – in 1990 dollars) in La Plata County was 19.2%, from \$177,669.00 in the second quarter of 2004 to \$211,816.00 in the second quarter of 2005. In the absence of adjusting these prices to 1990 dollars, the median residential real estate price in La Plata County in the second quarter of 2004 was \$259,750.00; and in the second quarter of 2005 it was \$319,000.00.

## What is the Fair Market Value of Your Business?

by Luke T. Miller, Ph.D.

Are you buying, expanding, or selling your business, negotiating a settlement, evaluating real estate, developing a business plan, or just plain curious about your net worth? If so, then developing a structured approach to value your endeavor is critical to its success. Many of you have probably heard the old saying, "Your business is worth whatever someone is willing to pay for it." Well, this statement is a half truth. It should read, "Your business is worth whatever you would be willing to pay for it." So, what are you willing to pay?

Behind every major investment decision should lie some calculation of what that move is worth. Whether the decision involves launching a new product or service, developing a partnership, initiating marketing efforts, or building additional capacity, how a business estimates value is a key determinant of its resource allocation. The purpose of this article is to discuss several contemporary business valuation techniques. The material will be presented using a case study to aid discussion. However, bear in mind that although the approach is applied to a specific case study, it is applicable for most valuation scenarios.

**CASE STUDY:** Suzanne and Mike are considering the purchase of a local restaurant in Durango. The asking price for the restaurant is \$800,000. What is a fair offer for the restaurant to ensure Suzanne and Mike do not overpay? From the sellers' perspective, what is their restaurant really worth? Before any attempt to buy or sell, the parties involved have a financial responsibility to themselves (and their investors, if applicable) to estimate the restaurant's fair market value. Consider the following five steps:

### Step 1: Itemizing historical net income

As you know, net income is an accounting profit important for tax planning and documentation purposes. Using your tax and business records itemize your historical income into a format similar to Figure 1:

Year	2000	2001	2002	2003	2004
<b>Income Statement</b>					
Gross Sales	\$200,000	\$215,000	\$210,000	\$221,000	\$227,000
Expenses					
Labor/Supplies/Overhead	75,000	79,000	81,000	83,000	87,000
Your Officer Compensation	25,000	25,000	25,000	25,000	25,000
Depreciation	35,000	32,500	30,000	27,500	25,000
Interest Expense	7,000	6,500	6,000	5,500	5,000
Taxable Income	58,000	72,000	68,000	80,000	85,000
Income Taxes	8,700	10,800	10,200	12,000	12,750
Net Income	49,300	61,200	57,800	68,000	72,250

Figure 1. Historical net income statement for years 2000-2004 (adjusted for inflation)

When valuing an individually-owned business, it is imperative to identify all the cash flows available to the firm's owners and itemize those in the income statement. For our example, these include your officer compensation, depreciation, and interest expenses. The officer compensation is included because this is a cash flow paid directly to the business owner. (Note: If the owner does not plan on paying themselves this salary, then do not itemize and instead lump it in with your labor expenses.) Be sure your historical information matches your federal income tax returns' net income (Schedule C-Line 31, Form 1120-Line 28), officer compensation (Form 1120-Line 12), depreciation expense (Form 1120-Line 21), and interest expense (Form 1120-Line 18).



## What is the Fair Market Value of Your Business? (cont)

Once you have extracted historical net income for the business, the next step is to identify any trends in the data. After adjusting for inflation, it appears there has been an approximate 3% annual growth rate in gross sales and a 4% annual growth rate in labor/supplies/overhead expenses. These growth rates will be inputs to estimate future cash flows in Step 2.

### Step 2: Estimate future cash flows

Future cash flow is the estimated future cash generated and expended in order to maintain business operations. How many years forward should cash flows be estimated? It really depends upon the nature of the business. For most businesses a time period equal to the remaining life of the businesses' "core" infrastructure is initially assumed. For a restaurant, a reasonable time table is the remaining life of the building and essential equipment. Additional years of business life may be included in the analysis, however, it is important to estimate infrastructure replacement and other relevant factors. It should be noted that even though the buyers may not own the business for the entire remaining life, it is essential to value the business under this assumption.

Numerous techniques exist to estimate future cash flows, with the most popular using historical net income information. (Note: If you are evaluating a new business venture without a net income track record, then identifying a similar business and benchmarking accordingly is recommended.)

Assume Suzanne and Mike plan to finance the \$800,000 restaurant with \$300,000 in cash plus a loan for \$500,000. For this analysis, future cash flows will be estimated for the next 15 years, or 2005-2020. From historical net income information, gross sales, labor/supplies/overhead expenses, and officer compensation are assumed to grow at annual rates of 3%, 4%, and 2%, respectively. The total cost of \$800,000 is reflected under investment activities, as well as the loan for \$500,000 under financing activities. The interest and principal payments reflect the \$500,000 loan, and for simplicity, straight-line depreciation on depreciable assets totaling \$600,000 is assumed. The cash flow statement in Figure 2 shows these estimates from 2005-2010.

Year	2005	2006	2007	2008	2009	2010
<b>Income Statement</b>						
Gross Sales		\$234,491	\$241,526	\$248,772	\$256,235	\$263,922
Expenses						
Labor/Supplies/Overhead		90,480	94,099	97,863	101,778	105,849
Your Officer Compensation		25,000	25,500	26,010	26,530	27,061
Depreciation		15,385	15,385	15,385	15,385	15,385
Interest Expense		35,000	33,607	32,117	30,522	28,816
Taxable Income		68,626	72,935	77,397	82,020	86,811
Income Taxes		27,451	29,174	30,959	32,808	34,725
Net Income		41,176	43,761	46,438	49,212	52,087
<b>Cash Flow Statement</b>						
Operating Activities						
Net Income		41,176	43,761	46,438	49,212	52,087
Depreciation		15,385	15,385	15,385	15,385	15,385
Officer Compensation		25,000	25,500	26,010	26,530	27,061
Investment Activities						
Investment		-800,000				
Financing Activities						
Borrowed Funds		500,000				
Principal Repayment		-19,897	-21,290	-22,780	-24,375	-26,081
Net Cash Flow		-300,000	61,663	63,355	65,052	66,752

Figure 2: Cash Flow Statement, 2005-2010

The logo features the word "ECONOMIC" in a smaller, blue, sans-serif font above the word "News" in a large, blue, serif font. Below "News" is the phrase "YOU CAN USE" in a blue, sans-serif font. The entire logo is centered between two horizontal blue bars.

### Step 3: Determine the present value of future cash flows

Assume you were to place \$800,000 into a savings account yielding 4% per year for the next 15 years. At the end of the 15 year time period, you would have \$1,440,755 in the savings account. Thus, it could be said the present value of the future cash flow of \$1,440,755 (assuming 15 years and a 4% interest rate) is \$800,000.

Further, consider the following investment options:

- Option 1: Invest \$800,000 in a risk-free environment (i.e. no chance of losing money) at 4% per year
- Option 2: Invest \$800,000 in a risky environment (i.e. a significant chance of losing money) at 4% per year.

Obviously, a rational investor would prefer Option 1. In order to be enticed to invest in Option 2 an investor would require a return greater than 4%. How much greater than the risk-free return of 4%? It would depend upon the degree of riskiness: the greater the risk, the higher the required return. In other words, investors need to be compensated for risk. This is called the risk-return trade-off and it underlies all investments ranging from U.S. Treasury Bonds to Certificates of Deposit to Bonds to Stocks to Derivatives.

Returning to our business valuation, we need to obtain the present value of all future cash flows using an interest-rate corresponding to the degree of riskiness of the business being evaluated. In today's market, the restaurant services sector uses an interest rate of about 8% for valuation (assuming the Capital Asset Pricing Model.) Discounting all the future cash flows from 2005 to 2020 at an interest rate of 8% for our example leads to a present value equal to \$310,000. In other words, from Suzanne and Mike's perspective, today's value of the business linked directly to its future cash flows is \$310,000.

### Step 4: Determine the market value of existing assets

In addition to the present value of future earnings, the business's value today includes the current market value for all the business assets. For our restaurant example, this is the market value of the real estate (building and land) plus all equipment and supplies. The market value for the real estate is estimated by performing a standard 'comp' analysis. The equipment and supplies market values should be benchmarked to comparable items with equal remaining life. For our example, we will assume that the real estate is valued

## What is the Fair Market Value of Your Business? (cont)

at \$450,000, the equipment at \$100,000, and the supplies at \$50,000.

### Step 5: Calculate the fair market value

The fair market value of the company is comprised of the present value of all future cash flows plus the market value of existing assets. For our example, the restaurant's value is equal to \$310,000 (present value) plus \$600,000 (assets) for a total of \$910,000. Compared to the asking price of \$800,000 it would appear that Suzanne and Mike would be paying 14% (or \$110,000) less than the estimated fair market value.

This short article discusses one recommended approach to business valuation. Arguably there are other techniques to estimate a business's value. However, this method is preferred by the author because it is consistent with valuation theories underlying the trillion dollar U.S. and international stock markets.

In the next issue of the *Econometer*, the discussion of business valuation will be extended to include sensitivity, scenario, simulation, and options analyses. Because no one is capable of exactly predicting future cash flows, it is vital that a series of what-if scenarios are performed. What if gross sales are 25% less or more than initially estimated? What if I borrow the entire \$800,000 or borrow nothing to finance the purchase? What if there is no growth in gross sales and double the growth in expenses? What if I hire an officer to run the restaurant operations? What is the probability (or chance) I will pay too much or sell the restaurant for too little? In a hypothetical context, what if I purchased ten of these restaurants. What percent of the restaurants would be financially successful? To help answer these questions a sensitivity, scenario, and simulation analyses will be performed and discussed.

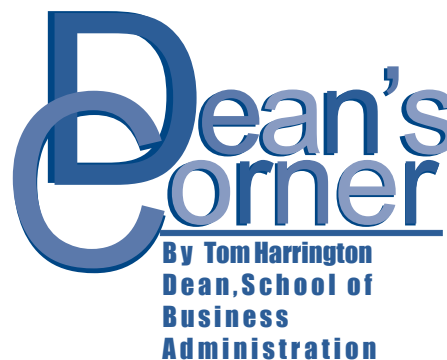
Finally, is there brand-name, good-will, or growth opportunity value that I am overlooking in the business valuation? What if I planned on expanding the restaurant, developing a customer-share relationship with other local businesses, or opening a second location? Shouldn't the option to do these things be included in the valuation and if so, how? How much should I spend on marketing and advertising in order to minimize costs and maximize profits? To help answer these questions, the most modern valuation approach called Real Options will be introduced.

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### ABOUT THE AUTHOR

Dr. Miller received his PhD in Financial Engineering from Auburn University and is a new faculty member in the School of Business Administration at Fort Lewis College. Prior to joining FLC, he was a faculty member in the School of Business Administration at the University of San Diego where he taught quantitative, financial valuation, and personal finance courses. His consulting, teaching, and research interests span all areas of business valuation to include, but not limited to: financial planning (both personal and firm), capital budgeting, replacement analysis, capital rationing, security analysis, and risk management. He is also an adjunct research professor for the Culverhouse College of Business at University of Alabama, and he is an investment advisor for several stock funds and investment groups. Phone: 970-247-7060, Email: miller\_l@fortlewis.edu, Website: [http://soba.fortlewis.edu/miller\\_l](http://soba.fortlewis.edu/miller_l)

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I would like to take this opportunity to give an update on the accreditation of our accounting, business administration and economics degree programs. In 1974, the Fort Lewis College School of Business Administration was the first undergraduate public liberal arts-based business school

accredited by the Association to Advance Collegiate Schools of Business (AACSB) International. There are over 3,200 colleges or schools of business at four-year or four-year plus graduate schools around the globe. Only 506 have achieved accreditation by the AACSB International, including 76 outside of the United States; 39 are undergraduate-only; and just 4 are undergraduate schools of business integrated into public liberal arts institutions. We are one of those four!

AACSB International accreditation represents the highest standard of achievement for business schools, worldwide. Institutions that earn accreditation confirm their commitment to quality and continuous improvement through a rigorous and comprehensive peer review. Accreditation assures stakeholders that we effectively manage resources to achieve a vibrant and relevant mission; advance business and management knowledge through faculty scholarship; provide high-caliber teaching of quality and current curricula; cultivate meaningful interaction between students and a qualified faculty; and produce graduates who have achieved specified learning goals.

Since 1974, we have gone through three comprehensive peer review events, one every ten years. The last review culminated several weeks ago with the visit of a peer review team of deans from three schools of business similar in mission and size to ours. While we must wait until December 2005 for the official report of the on-site visit and an AACSB International Committee review of our Maintenance of Accreditation Report, I would like to highlight what the visit team reported to us upon their departure.

We were commended for the following five areas of "effective practice:"

- 1) The program has a strong tradition as a public liberal arts college. The School has echoed this focus in its integration of professional skills. (This means we value the integration of business curricula with a liberal arts focus on communication ability, ethical understanding and reasoning abilities, use of analytical skills, multicultural understanding, and reflective thinking skills).
- 2) The international focus of the program is an example of curriculum choice and focus and the degree of student participation in overseas experiences is impressive.
- 3) The new leadership of the program is motivated and dedicated to continuing efforts related to the maintenance of accreditation.
- 4) Recent efforts to seek external funding, both within the School and in cooperation with the College, show promise.
- 5) Engagement of students in internships and in real business projects as part of their capstone experiences is a strength of the program.

The visit team will recommend to the AACSB Maintenance of Accreditation Committee that the maintenance of accreditation review of the undergraduate degree program in business be continued for an additional year to have a follow-on review of the following two items:

- 1) Faculty Qualification Standard: The program should increase intellectual contributions and the respective support for faculty, processes should be in place for designation of Academically Qualified and Professionally Qualified faculty (including necessity to teach within the discipline), and comparisons to their selected peers should provide supporting data for making these judgments.

## Dean's Corner (cont)

2) Management of Curricula Standard: The program should establish and define measures of assessment to include direct evidence of values/ learning outcomes at various points in the curriculum (it was noted we have a variety of indirect measures, such as national surveys, but not direct documented measures with outcomes fed-back for continuous improvement).

The good news is that we are accredited, we maintain our accreditation status, and that we have no findings or recommendations in the other 15 accreditation standards. We have some work to do to enhance our assessment by incorporation of direct measures such as national field exams, and to increase intellectual contributions of the faculty. Increasing intellectual contributions requires increase of support, such as summer research stipends and more travel funds for faculty to attend professional conferences to present their research papers. As many of you know, there has been continuing decline in state-support to higher education. As an example, we are 17% below the median total operating expenditures per full-time business faculty member compared to our peer schools of business, and 25% below our aspirant schools of business. This confirms that we need to place more importance on our plans to seek external support to fund both faculty and student initiatives.

We enter our next accreditation review cycle with an excellent faculty, outstanding students, a vibrant mission, and plans for continuous improvement and external funding support.



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