

V. SUMMARY OF CURRENT AND PROJECTED ECONOMIC CONDITIONS

A. Regional Population Trends, Forecast and Characteristics

Population for the San Luis Valley is often rounded up to 50,000. However, the Colorado State Demography Office puts the region's population for the official 2010 census year at 46,027. That figure is 163 less than the official 2000 population of 46,190. Although the drop is slight and would indicate a static trend, only Alamosa and Saguache counties showed an increase in population from 2000 to 2010. The other four counties – Conejos, Costilla, Mineral, Rio Grande – followed a trend in many rural and agricultural counties of declining populations.

Slower than forecast population growth can simply be attributed to out-migration, according to SDO data. People leaving – anecdotally younger populations – greatly diminish the impacts of new residents and births.

Looking into the next decade, the SDO forecasts an annual average population change of 1.5 percent for the region. That forecast would bring the San Luis Valley to 52,843 by 2020.

An older and aging population is the most significant characteristic of the region. Critical age groups under 45 years of age declined in number and as a percentage of the total regional population whereas the number of residents 55 to 65 years old grew by over 50 percent from 2000 to 2010. In the 20-year period of 1990-2010 the median age increased from 31.3 to 38.9, which compares to the state's median age of 36.1 in 2010.

The percentage of residents who identified as Hispanic/Latino origin remained consistent with previous Census data at 47 percent.

B. Renewable Energy Development

The development of renewable energy resources, particularly solar, has been a high spot in the region's economy. Five utility scale solar power generation facilities have been built in the Valley since 2007 and produce over 85 MW of electrical power. Their construction reinforces the claim that the San Luis Valley has the best solar resource in the state due to elevation, cool temperatures, and clear skies.

While the combined number of full time, permanent jobs at the solar plants is less than 25, during construction several hundred workers were employed for periods of around 18 months at each site. While many of those jobs went to local workers, the contractors also brought in crews from outside the region. During the construction stage, workers lived in the Valley renting housing and buying goods and services. Their expenditures provided an economic lift to Alamosa and Alamosa County, albeit temporary. In the long term, the solar plants provide a boost to local property tax revenues, benefiting Alamosa County and school districts.

The region – local governments and businesses – is receptive to, if not supportive of, more solar development. However, future development is constrained by an inadequate transmission infrastructure. Current transmission lines have the available capacity of about 150 MW. Further development of solar power generation will require new transmission lines to export the power out of the Valley.

Alamosa County has several applications pending from solar developers for permits to build solar electric generation plants. The developers are awaiting power purchase agreements with utilities before moving forward.

C. Agricultural Water Use

As noted in the section of this CEDS on water resources, “Water use in the San Luis Valley may be drastically different in the 21st Century that it was in the preceding one.”

Irrigators will be limited in their water use by first-ever regulations and by Mother Nature. The effects on production agriculture will be significant with tens of thousands of acres likely to be fallowed.

Water management subdistricts are the first attempt to regulate and reduce groundwater pumping. The first subdistrict, Subdistrict No. 1, is in operation and covers almost 150,000 acres of irrigated farm ground. It seeks to mitigate the impact of well pumping on senior surface water rights and restore the unconfined aquifer by fallowing up to 40,000 acres. As many as five other subdistricts could be created in the Valley.

Further groundwater regulation will come from the State Engineer calling for well owners outside subdistricts to have an augmentation plan for restoring depletions to area streams and rivers caused by pumping.

Impacts on the regional economy, which is an ag-based economy, are yet unknown but are expected to be meaningful.

D. Unemployment

The number unemployed in the region’s labor force averaged 2,229 in 2011, vs. 1,531 in 2005. The unemployment rate increased from 6.6 percent in 2005 to 9.1 percent in 2011. Rates for Colorado statewide were only 5 percent in 2005 but climbed to 8.3 percent in 2011. These numbers indicate the region was greatly impacted by the recession.

Counties with unemployment rates exceeding the regional average of 9.1 in 2011 included Costilla (12.6 percent); Conejos (9.5 percent); and Saguache (10 percent). Over half the number of persons unemployed are residents of Alamosa and Rio Grande counties.

E. Income

Perhaps the most telling feature of the economic conditions in our region are the low incomes, which are usually among the state’s lowest. This condition persists yearly. Median household income in 2010 for the region is estimated at \$34,728, using data from U.S. Census Bureau. That compares to \$56,456 for the state.

Median household income ranged from \$53,438 in Mineral County to \$24,388 in Costilla County

Gains for the Valley from 2006 to 2010 are shown in the BEA per capita personal income comparisons, ranging from 26.3 percent in Mineral County, to 13.8 percent in Costilla, and 18.3 percent overall for the region.

The increases for Colorado statewide were a modest 2.7 percent on per capita personal income. This no way diminishes the fact that income in the Valley counties is still only a percentage of that enjoyed by the average Coloradan.

F. Wages

Tables in the Colorado Department and Labor's Employment Wage Statistics report for the third quarter of 2013 show an all industry average for the region at \$574/week, or only 60 percent, of wages reported for Colorado statewide at \$952/week.

G. Cost of Living

Fortunately, the Valley's lower cost of living relative to many other parts of Colorado enables the low incomes to stretch a little further, and creates a sustainable lifestyle for many families. A 2007 study by CSU researchers showed composite index ratios on the cost of living ranging from .892 in Alamosa County to .967 in Mineral, as compared with a statewide average of 1.0; Pitkin County (Aspen) at 2.062; and a low in Kiowa County of .822.

Inflation as measured by the Denver-Boulder-Greeley CSMA Consumer Price Index (CPI) was under 3.7 percent for 2011 and is a serious concern for the region's economy.

H. Ag Trends and Outlook

According to the last SDO base industry analysis, 2010, the agricultural production, inputs, and processing cluster at \$143.6 million in base income represents 31 percent of the region's base income and is the number one driver of the economy. In spite of reductions in irrigated acres to address water management concerns, agriculture remains the region's major economic force. Potato prices are good with bulk potatoes fetching \$11.52/cwt. in September 2013, nearly double prices for the same time 2012, but similar to 2011 and 2010 prices.

The San Luis Valley is the number two supplier of fresh potatoes to the nation, and fifth in the USA in overall production. Grain prices are good, but alfalfa and beef prices are still at premium levels due to high demand and low availability.

Drought continues to be biggest issue facing agriculture in the Valley with streamflows below average for the past five years and the ground water source for irrigation in steady decline. Irrigators are making a first-ever attempt at self-regulation through the creation of groundwater management districts and new well regulations are being promulgated by the State Engineer.

I. Tourism Trends and Outlook

A consistent series of data for tourism, which represents \$40.7 million in base income and the fifth largest driver of the regional economy, is not available for trend analysis, but we can get some indication of where we are and where we are headed by piecing together data from lodging tax and visitation reports.

From 2006-2011, lodging taxes receipts for the region indicate a positive trend having increased at an annual average of 10.8 percent. The West Fork Complex fire in the summer of 2013 assuredly had a negative impact on that trend but lodging tax receipts are available at this writing.

The Valley's top tourist destination, the Great Sand Dunes National Park and Preserve, attracts 275,000 to 300,000 visitors annually. Likewise, the Rio Grande National Forest, three national wildlife refuges, and Bureau of Land Management lands, all combined, attract a similar number as the Great Sand Dunes.

Nationally, travel and tourism continue to grow. With over 80 attractions and draws like the Sand Dunes, scenic railroads, scenic byways, and many others, the Valley is far below its potential as an economic driver, which gives reason to believe that trends for the industry in the region nowhere to go but up.

J. Higher Education

An update of our 2005 study of ASU's economic impact on the region reported a \$50.3 million impact in annual direct spending by the college operations, students, professors, and staff; and a total economic impact of \$86.6 million. Enrollment has reached an all-time-high of 3,700 students with more than 10,000 in the Extended Studies program.

Tuition at Adams State is very affordable – annual tuition and on-campus room and board around \$14,000 – and serves an important role within the state college system to ensure educational opportunity regardless of family income level.

K. Mining in Mineral County

Hecla Mining continues to explore for heavy metals – particularly silver – in the Bulldog and Equity mines in the historic Creed Mining District. Should mining be renewed, it could mean 150-180 new, well-paying jobs to Mineral County and upper Rio Grande County. Studies are underway to determine if commercial mining is feasible.

L. Construction and Real Estate

The impact on construction and real estate from the subprime housing market is still being felt in the region. Construction activity, especially in areas like South Fork, Creede, and western Conejos County, where second homes are popular, has yet to return to pre-recession levels. In 2007, 239 residential building permits were issued in the region. In 2011, only 118 were issued.

Mortgage interests rates are still reasonable and in 2012, 629 home were sold. The average sale was \$144,000.

M. Retail Sales and Outlook

Data suppression makes it difficult to present an accurate regional picture of retail sales, particularly in groups such as auto dealerships, building supplies, healthcare and general merchandise.

County totals indicate little change in total retail sales from 2012 to 2013.