

business

Uncertainty over possible federal cuts "crippling" Colorado companies

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"Uncertainty" was a word used repeatedly Monday by Colorado economists and industries in lamenting the failure of the congressional "supercommittee" to reach a budget-cut agreement.

"For companies waiting to see if they get funded for year two or three of a defense contract, they don't even know how many employees to have. The uncertainty is crippling," said Bryan Blakely, president of Accelerate Colorado, a business-government partnership.

Defense-related positions at risk "are great-paying jobs, and they support a lot of secondary jobs in Colorado," Blakely said. "There are millions, hundreds of millions of dollars in defense contracts in Colorado," with more than \$1 billion generated annually just for defense and intelligence work near Buckley Air Force Base in Aurora.

Uncertainty will halt economic growth and job growth and could result in a slide back into a recession, said Patti Silverstein, an

economist and president of Littleton's Development Research Partners.

"Our forecast has U.S. employment increasing by about 1 percent in 2012," she said. "But there is the very real scenario that we could see employment growth go negative again.

"My expectation would be that at least if you're operating in the environment of a little more certainty, you can have a little more growth," Silverstein added. "If you continue to add this whole level of uncertainty, it's more challenging for the private sector to pick up where the government leaves off."

The defense budget, which already has been shaved by \$100 billion, stands to take another \$600 billion hit over 10 years.

Colorado is home to operations by several large defense contractors such as Lockheed Martin, Raytheon, ITT Corp. and Boeing Co. as well as small firms that do defense-related subcontract work.

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military personnel stationed in Colorado are possible, experts said. With the approval last week of NASA's \$17.8 billion for 2012, aerospace — a key piece of Colorado's economy — won't be vulnerable until 2013.

But a year of uncertainty will take its toll, said Elliot Pulham, chief executive of the Space Foundation in Colorado Springs.

"We surmise that the impact of directed cuts will be felt harshly in space programs as lawmakers will have to find trade-offs for personnel and entitlement funding," Pulham said.

He sees pitfalls such as delaying or postponing critical weather satellites, a handcuffed NASA ceding space exploration to other countries, and a crippled national-security space community.

Health care is another area with supercommittee consequences, resulting "in millions of dollars in reduced Medicare payments to Colorado providers for many years to come" by restricting access, Steven Summer, president of the Colorado Hospital Association, said in a statement.

Dr. F. Brent Keeler, president of the Colorado Medical Society, said at issue is a 27.4 percent cut in Medicare physician reimbursement set for January, an item that also was on the supercommittee's agenda.

"The supercommittee had a golden opportunity to fix this long-standing problem," Keeler said, "and now the lack of leadership will impact senior citizens and Colorado military dependents," with doctors opting to retire, stop taking new Medicare

patients or stop seeing established Medicare patients.

Jeff Thredgold, an economist for Vectra Bank Colorado, said cutting \$1.2 trillion over 10 years may sound like a lot of money but said it's "pocket change" in Washington.

"They're cutting the deficit by less than 3 percent a year. Do we know anybody who's cut their budget by less than 3 percent? It's just ridiculous. They're doing major damage with almost childish behavior," Thredgold said.

Economists aren't surprised the committee ended at an impasse, with other bipartisan panels unable to agree on a solution.

"A two-party system is great, but you have to work cooperatively to get things done," said economist Tucker Hart Adams. "It's the same old, same old, and why the American people are willing to put up with it is a mystery to me. If we return the same people to Washington in 2012, that says the American people like what we have."

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