



INFORMATION TECHNOLOGY - SOFTWARE

Metro Denver and Northern Colorado Industry Cluster Profile

The information technology (IT) cluster supports business activities in all other sectors of the economy with a variety of products and services, ranging from virus protection and other security programs for computers to specialized custom software. Technology industries are high-knowledge, human capital-based industries that are growing globally and are expected to continue growing. A broad information technology cluster definition includes companies involved in software, hardware, and telecommunications. The definition can be expanded to include individuals who are employed in information technology occupations across all industries. Using this broader definition, CSIA, Colorado's Technology Association, reports there are more than 175,000 information technology workers in the state.

This industry cluster report is based on a narrower definition of information technology to avoid double-counting workers in other technology clusters such as telecommunications and aerospace. Information technology can be further divided into two clusters: software and hardware. Hardware includes companies that manufacture computer peripheral equipment. Software, which is covered in this report, includes companies involved in a broad array of activities ranging from the development of off-the-shelf software products to custom computer programming, computer systems design, and data processing services. Software companies also provide network solutions, Web-based applications, and operating systems.

Colorado is one of the top states in the nation for information technology. In 2009, Colorado ranked third in high-tech workers per 1,000 private sector workers (with 83 out of every 1,000) in TechAmerica's 2009 *Cyberstates* report. Boulder ranked third among the nation's top-10 "tech poles" in the software publishing industry according to the Milken Institute's 2009 *North America's High-Tech Economy: The Geography of Knowledge-Based Industries* report. The report defines tech poles as metro areas with concentrated technology activity and employment.

In addition to being a top IT economy, the nine-county Metro Denver and Northern Colorado region¹ is a major user of technology. Colorado had the nation's 13th-highest prevalence of Internet usage in 2007, according to the U.S. Census Bureau. The share of Colorado households with computers, 70 percent, ranks fifth-highest in the nation. Additionally, *Forbes* magazine recognized Denver as the eighth-most "wired" city in the U.S. in 2009. Criteria for the ranking included percentage of high-speed Internet users and availability of public wireless hot spots.

Growing demand for information technology and Web services is prompting companies to grow and expand in Colorado. New-York based IBM Corporation announced plans to expand its Boulder call center in 2009. The center handles technical questions for the company's outsourcing clients and could employ as many as 500 workers at full capacity in 2014. Denver-based HostMySite.com purchased Louisville, Kentucky-based Hosting.com in early 2009, and Hosting.com relocated its headquarters to a Metro Denver facility. The building will eventually house both companies plus a 30,000-square-foot data center. California-based Intuit opened a Metro Denver customer service center in 2009 with plans to add local jobs. Dallas-based Affiliated Computer Services Inc. is expanding its operations in Colorado with a new customer service center in Colorado Springs. Data center operator Latisys announced plans to locate its headquarters in Metro Denver in 2009. The company—which provides data storage, Web hosting, and other related services—already has one of its three facilities in Denver, where industry experts say a low risk of natural disasters makes an attractive location for costly computer equipment.

¹ The nine-county Metro Denver and Northern Colorado region consists of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, Jefferson, Larimer, and Weld Counties.

Software Economic Profile

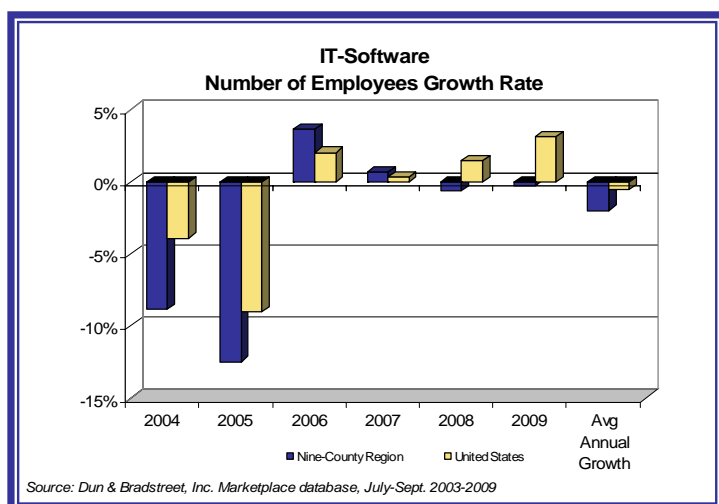
The software cluster is defined by seven, six-digit North American Industry Classification System (NAICS) codes including software reproduction, software publishers, custom computer programming, data processing and hosting, computer facilities management services, and computer systems design services.

The nine-county region ranked ninth out of the 50 largest metro areas in software employment concentration in 2009. With direct employment of about 42,300 software employees, the region ranked 12th out of the 50 largest metro areas in absolute employment. As of 2009, more than 85 percent of Colorado's employment in the software cluster was located in the nine-county region.

	Nine-County Region	U.S.
Direct Employment, 2009	42,300	1,912,680
Number of Direct Companies, 2009	3,960	186,380
One-Year Direct Employment Growth, 2008-2009	-0.2%	3.2%
Five-Year Direct Employment Growth, 2004-2009	-9.5%	-2.5%
Avg. Annual Direct Employment Growth, 2004-2009	-2.0%	-0.5%
Direct Employment Concentration	2.9%	1.6%

Sources: Dun & Bradstreet, Inc. Marketplace database, July-Sept. 2003-2009;
Development Research Partners.

Employment



- In 2009, the software cluster directly employed 42,300 people in the nine-county region. The nine-county cluster experienced an average annual decline in employment of two percent from 2004 to 2009, compared with a 0.5 percent decline at the national level.
- Software companies employed 2.9 percent of the region's total employment base, compared with a 1.6 percent employment concentration nationwide.
- Approximately 48 percent of the region's software cluster employees provided custom computer programming services.

- Software cluster employment was widely dispersed throughout the nine-county region with the heaviest concentrations in the City and County of Denver (22 percent) and in Boulder (22 percent), Arapahoe (19 percent), and Jefferson (14 percent) Counties.

Wages

The 2008 average annual salary for software cluster employees in the nine-county region was \$91,060, compared with \$88,370 nationwide. Total payroll for the software industry cluster in the region exceeded \$3.8 billion in 2008.

Denver-Aurora-Broomfield MSA Occupational Salaries, 2008 Annual Average

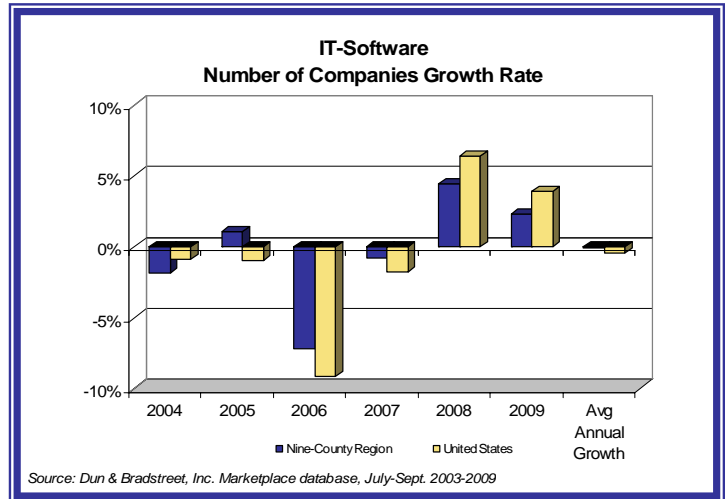
Computer and Information Scientists, Research	\$85,720
Computer Programmers	\$80,130
Computer Software Engineers, Applications	\$90,960
Database Administrators	\$72,930

Note: Mean annual salary data is for the ten-county Denver-Aurora-Broomfield Metropolitan Statistical Area (MSA) consisting of Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park Counties.

Source: U.S. Bureau of Labor Statistics, Metropolitan Area Occupational Employment and Wage Estimates, May 2008, www.bls.gov.

Companies

- Approximately 3,960 software companies were located in the nine-county region in 2009.
- The number of nine-county software companies decreased 0.1 percent per year between 2004 and 2009, compared with a 0.5 percent average annual decline in companies nationally.
- Eight-two percent of nine-county software companies employed fewer than 10 people, while 0.3 percent employed 250 or more.
- Nearly 64 percent of the region's software companies were involved in custom computer programming or other computer-related services.



Major Software Companies

- Affiliated Computer Services, Inc.
www.acs-inc.com
- CIBER, Inc.
www.ciber.com
- Cisco Systems, Inc.
www.cisco.com
- Constant Contact, Inc.
www.constantcontact.com
- eCollege.com
www.ecollege.com
- EMC Corporation
www.emc.com
- Evolving Systems, Inc.
www.evolving.com
- Fast Enterprises, LLC
www.fastenterprises.com
- Global Scholar (formerly Excelsior Software)
www.globalscholar.com
- Hosting.com (formerly HostMySite.com)
www.hosting.com
- IBM Corp.
www.ibm.com
- IHS, Inc.
www.ihs.com
- Intermap Technologies
www.intermap.com
- Intrado, Inc.
www.intrado.com
- Mapquest, Inc.
www.mapquest.com
- McKesson Information Solutions
www.mckesson.com
- Oracle Corporation
www.oracle.com
- Quark Inc.
www.quark.com
- Statera, Inc.
www.statera.com
- Sun Microsystems, Inc.
www.sun.com
- VMware, Inc.
www.vmware.com
- Webroot Software, Inc.
www.webroot.com

Key Reasons for Information Technology Companies to Locate in the Nine-County Region

The region is a top information technology location offering:

1. The ability to attract and retain high-quality IT professionals and technical talent

- Almost 36 percent of Colorado's adult population has completed a bachelor's or higher-level degree. That makes Colorado the second-most educated state in the country behind Massachusetts. (U.S. Census Bureau, 2008 American Community Survey)
- Colorado ranked eighth in the number of Ph.D. scientists and engineers as a percent of the workforce in 2006. The state ranked fourth in computer specialists as a share of the workforce. These measures point to a large pool of potential innovators in the state. (National Science Foundation, 2008)

- Colorado has the nation's fifth-largest employment base in the software publishing industry. Further, Colorado tech workers earn 97 percent more than the average private-sector worker. (TechAmerica, *Cyberstates: A Complete Overview of the High-Technology Industry*, 2009)
- The Denver-Aurora-Broomfield MSA ranked 18th among U.S. metro areas for its concentration of high-tech jobs in 2007, according to the Milken Institute. The institute's report – *North America's High-Tech Economy: The Geography of Knowledge-Based Industries* – ranked metro areas based on their 2007 concentration of high-tech jobs and their share of total North American tech jobs and wages. The Boulder MSA ranked 28th and the Colorado Springs MSA ranked 50th. (Milken Institute, 2009)
- Colorado ranked 10th overall in the *2008 State New Economy Index*, released by the Ewing Marion Kauffman Foundation and the Information Technology and Innovation Foundation. Colorado earned several top-10 rankings for the index's 29 individual indicators. Specifically, the state ranked third in workforce education, fourth in patents, fourth in IPOs, fourth in venture capital, fifth in job churning, sixth in high-tech jobs, sixth in online population, ninth in information technology professionals, 10th in migration of U.S. knowledge workers, 10th in investor patents, 10th in R&D investment, and 10th in scientists and engineers. (The Information Technology and Innovation Foundation and Ewing Marion Kauffman Foundation, 2008)
- The Metro Denver WIRED Initiative – a four-year, \$15 million regional workforce development grant housed at the Metro Denver Economic Development Corporation – ended in early 2010. WIRED worked to develop a labor force skilled in STEM (science, technology, engineering, and math) for the nine-county region's fastest-growing industries, including information technology-software. WIRED awarded several grants to information technology programs. (Metro Denver WIRED Initiative)

2. Direct access to a large and growing customer base

- Colorado ranked third in the nation for funds raised per worker from the Small Business Innovation Research (SBIR) program in 2008. More SBIR funding indicates a higher level of technological sophistication. (U.S. Small Business Administration, 2009; U.S. Bureau of Labor Statistics, 2009)
- Colorado had the nation's 13th-highest prevalence of Internet usage in 2007, according to the U.S. Census Bureau. Slightly more than 67 percent of Colorado residents age three and older use the Internet, compared to 62.4 percent of residents nationwide. (U.S. Census Bureau, 2009)
- Denver ranked eighth on *Forbes'* annual list of the "Top 30 Most Wired American Cities." The city's rankings on individual criteria included a fifth-place spot for the number of companies offering high-speed Internet services and top-20 rankings for availability of public wireless Internet and broadband usage among households. (*Forbes*, 2009)
- Colorado ranked third in 2008 venture capital investments per \$1,000 in gross domestic product. This high level of investment indicates a rapidly developing economy and abundant opportunities for growth. (PricewaterhouseCoopers, *MoneyTree Report*, 2009; Bureau of Economic Analysis, 2009)
- Colorado ranked fourth in new company starts per 1,000 workers in fiscal year 2008. New business starts are a strong measure of entrepreneurial activity. (U.S. Small Business Administration, 2009)
- Computers and electronic products accounted for more than one-third of all Colorado exports in 2008. Computers and electronics represented roughly 15 percent of U.S. exports in the same year. (U.S. Department of Commerce, International Trade Administration, 2009)
- Colorado is home to 13 Fortune 1,000 companies, and the state has more than 800 companies that employ 250 or more workers. (*Fortune*, 2009; U.S. Census Bureau, County Business Patterns, 2007)

3. Low to moderate costs of doing business and a competitive tax structure

- Colorado's simple corporate income tax structure is based on single-factor apportionment, which allows companies to pay taxes based solely on their sales in the state. Colorado's corporate income tax rate of 4.63 percent is one of the lowest in the nation. (State of Colorado; The Tax Foundation)
- Colorado has one of the nation's most favorable business tax climates. The state ranked among the top 15 in the nation on the Tax Foundation's *2010 State Business Tax Climate Index*, which measures how corporate and individual income taxes, property and sales taxes, and unemployment insurance tax affect economic activity. (The Tax Foundation, 2009)
- Several Colorado metropolitan areas ranked high on *Forbes'* 2009 list of the "Best Places for Business and Careers," which considers the cost of doing business, educational attainment, and other factors. The Fort Collins metro area ranked second overall, Colorado Springs ranked 10th, the Denver-Aurora-Broomfield region ranked 14th, and Boulder ranked 20th. (*Forbes*, 2009)
- Colorado ranked second in the 2009 *ALEC-Laffer State Economic Competitiveness Index*, which evaluates the link between states' policies and economic performance. States that perform well on the index tend to have low regulatory and tax burdens and a sustainable approach to public spending. (American Legislative Exchange Council, 2009)

4. An overall better quality of life

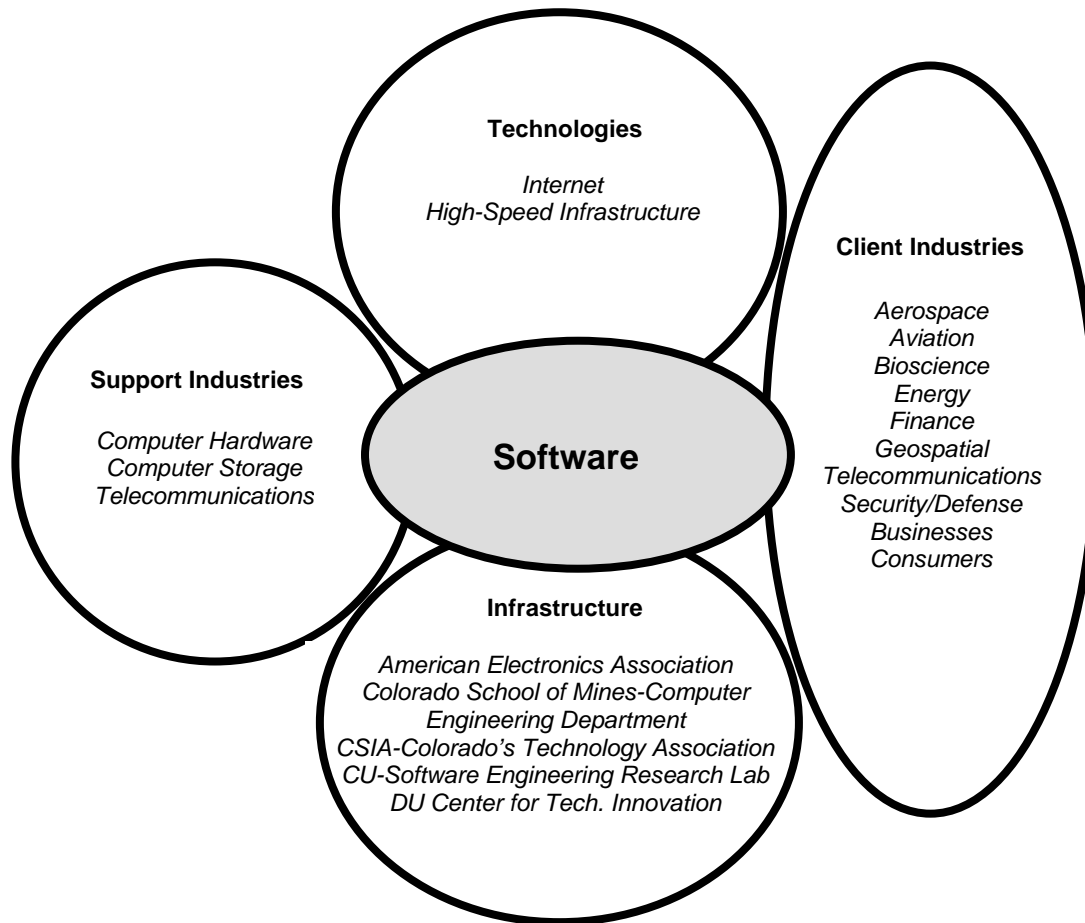
- Denver ranked first among the nation's most desirable places to live in a 2008 poll by the Pew Research Center. Denver was a consistent favorite when survey results were cross-tabulated by gender, income and education, and political preference. (Pew Research Center, 2009)
- Colorado residents enjoy an active, outdoor lifestyle. Two Colorado cities won top-five honors in the 2009 "Fittest Cities" ranking by *Men's Fitness* magazine. Colorado Springs ranked second and Denver ranked fourth. Denver's park acreage, air quality, outdoor environment, and other factors contributed to the city's high ranking. (*Men's Fitness*, 2009)
- Colorado has the nation's lowest rate of adult obesity (18.9 percent) and is the only state with an obesity rate below 20 percent. (Trust for America's Health, 2009)
- Metro Denver ranked 13th in the 2009 "Best Cities for Singles" ranking by *Forbes* magazine. Criteria included the cost of living alone, nightlife, and culture. Denver received particularly high scores for cost of living and job growth prospects. (*Forbes*, 2009)
- The cost of living in Metro Denver is three percent above the national average and is well below that of many other major cities. (The Council for Community and Economic Research, ACCRA Cost of Living Index, 2009)
- Metro Denver voters approved the funding of FasTracks in November 2004. FasTracks is a \$6.5 billion comprehensive plan for the design and construction of high-quality, metro-wide transit service and facilities. FasTracks will vastly improve mobility throughout the region.

Information Technology - Software Industry Cluster Definition

NAICS Code	NAICS Description	SIC Code	SIC Description
334611	Software reproducing	7372	Prepackaged software
511210	Software publishers	7372	Prepackaged software
518210	Data processing, hosting & related services	7374	Data processing
541511	Custom computer programming services	7371	Custom computer programming services
541512	Computer systems design services	7373	Computer integrated systems design
541513	Computer facilities management services	7376	Computer facilities management
541519	Other computer related services	7379	Computer related services NEC

Note: NEC indicates "not elsewhere classified."

Information Technology - Software Industry Cluster Relationships



For additional information, contact us:



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