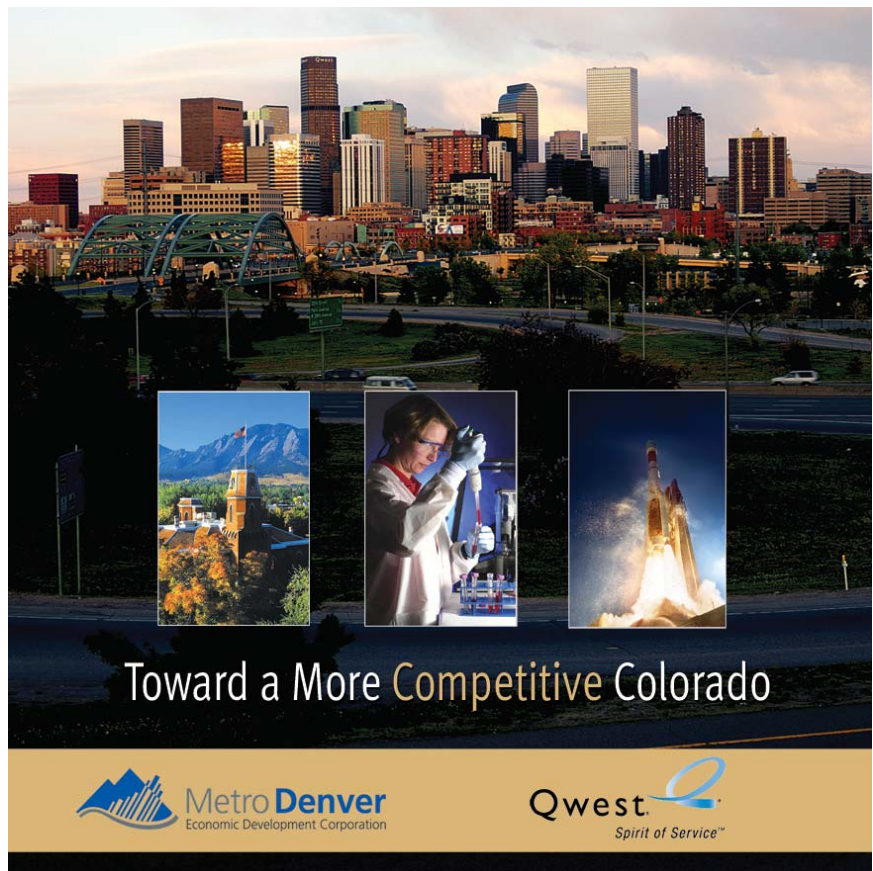


*Colorado is a highly competitive state for new job growth...its citizens are remarkably healthy, productive, and innovative.*



## Toward a More Competitive Colorado Executive Summary on Competitiveness

In 2007, Colorado remained a competitive state for new job growth. The state's citizens are healthy, productive, and innovative. Colorado is one of the most highly educated states in the nation. Our natural environment, and our willingness to retain it, lends itself to healthy lifestyles and our ability to attract highly educated workers.

First published in 2005, *Toward a More Competitive Colorado* was the foremost effort to compare Colorado's competitive position against the other 49 states.

In this, the third edition of *Toward a More Competitive Colorado*, the Metro Denver Economic Development Corporation (Metro Denver EDC) reports its annual benchmarking of Colorado's strengths, challenges, and opportunities for future job growth.

After analyzing seven years of data, we have concluded that while Colorado is a competitive state economically, the state has done little to improve its competitive position since 2000.

Colorado is an affluent "island" in the middle of the country, geographically distant from major trading regions. Ranked eighth in the country in per capita income, Colorado is surrounded by states that have lower wages and often, lower business costs. Our most frequent economic development competitors—Texas and Arizona—rank 21st and 38th respectively in per capita income and are more frequent candidates for corporate relocations than Colorado. To compete against these lower-cost markets, Colorado must foster greater productivity and innovation—creating jobs that pay higher wages but produce higher value goods and services.



*To remain competitive in a global economy, Colorado must increase its commitment to growing and sustaining a "knowledge-based economy."*

Each year, *Toward a More Competitive Colorado* examines national rankings on issues related to the state's competitive position. While Coloradans have made many far-reaching decisions that will provide continued opportunities for high-paying, high-quality jobs, we continue to face significant challenges that put our high standard of living, quality of employment, and communities at risk.

For the most part, these challenges are solvable, but will require combined efforts from public institutions, the business community, and political leadership from both parties.

### Highlights from the third edition report

- Ranked first in the nation for high-tech employment for the past seven consecutive years, Colorado slipped to third in 2005, despite its exit from the post-9/11 high-tech fallout
- Third-most highly educated state in percentage of college graduates in 2006, down from second in 2003
- Fourth-highest for venture capital investments
- Eighth-most productive workforce, down from seventh in 2000
- Tenth-highest in patents, down from ninth in 2003
- Lowest obesity rate in the nation and ranks second for physical activity; however, the state's obesity rates are rising at the same rate as the rest of the nation
- Third-lowest in heart disease, third-lowest in diabetes deaths (improved from fourth in 2003), and fourth-lowest in cancer deaths (improved from sixth in 2002)
- 12.7 percent of Colorado's budget was dedicated to transportation in 1980 and dropped to 6.2 percent in 2007
- Fifteenth-worst among the 50 states for "highway performance"

*Toward a More Competitive Colorado's* findings continue to point to areas where the state is competitively challenged. While an array of high-quality jobs await qualified Colorado citizens, the state's lower-paying, lower-skilled jobs will continue to disappear. To remain competitive in a global economy, Colorado must increase its commitment to growing and sustaining a "knowledge-based economy."

This commitment requires continued investments in our people—our human capital. Unfortunately, Colorado finds itself consistently in the lower quartile in these investments. Our regional competitors have made progress at much faster rates than Colorado, eroding the significant competitive advantages that Colorado has historically enjoyed.

### Competitive challenges for Colorado

After analyzing seven years of data, we found that Colorado is "slipping" in areas where we've had historically strong competitive advantages. Public investments in education are inadequate. The examples below illustrate the "Colorado Paradox" of having one of the nation's highest percentages of college-educated adults, yet tallying high school graduation rates and K-12 funding support that can be best classified as mediocre:

- 48th in state and local support for higher education per full-time student
- 48th in higher education spending per full-time student
- 44th in K-12 spending as a percentage of personal income in 2005—an improvement from 48th in 2003
- 42nd for student-teacher ratios in 2005-2006, down from 40th in 2003-2004
- 32nd for high school graduation rates



*“A knowledge-based economy cannot flourish without a public and private education system that consistently produces high-quality graduates...”*

Colorado’s taxes are among the lowest in the nation. While our business costs tend to be higher than our regional and national competitors, a reason for these higher costs is primarily due to wages and salaries, which are a function of higher educational attainment levels.

## Tax highlights for Colorado

- Second-lowest residential property tax burden
- Fourth-lowest business tax burden
- Sixth-lowest effective state and local tax burden
- Sixth-lowest state sales tax rate

## Driving future job growth

The Metro Denver EDC focuses on six industry clusters that hold the greatest potential for future job growth:

- Aerospace
- Aviation
- Bioscience
- Energy
- Financial Services
- Information Technology - Software

One industry in particular—*aerospace*—has propelled forward this past year. Colorado is now the nation’s second-largest space economy in terms of private employment. Over the past three years, Colorado first surpassed Florida, then Texas, to assume its present position.

With the recovery of the airline industry and the emergence of small-jet aircraft manufacturing in the past two years, aviation is now an industry where we focus our recruitment and expansion efforts.

Since the initial release of *Toward a More Competitive Colorado* in 2005, improvements in areas related to job growth and expansion of our clusters has occurred. In 2002-2003, Colorado ranked near the bottom of all 50 states for job growth, at 48th. However, the state is gaining ground quickly, ranking 14th for job growth in 2005-2006. Also, the state ranked third in creating new companies and was the eighth-fastest growing state for population in 2006.

However, if Colorado is to remain competitive, the state must produce increased numbers of high school graduates choosing and completing degrees in our cluster areas, which hold the best future jobs opportunities. Currently, Colorado is challenged in this area.

Colorado’s rank for college degrees in cluster-related employment:

- Engineering – 36th out of the 50 states
- Engineering technicians – 39th out of the 50 states
- Computer science – 40th out of the 50 states

## Our challenges

Colorado’s greatest challenge in remaining competitive is, as it was last year, the future of its workforce.

We remain concerned with mediocre high school graduation rates, the disconnection between the requirements of our high-technology employment clusters and low funding levels provided for citizens to acquire these skills. We remain particularly concerned with the ongoing low levels of funding for higher education.



*The Metro Denver WIRED Initiative will work to create a "transformational, sustainable workforce development program."*

Colorado's historic competitive position is seriously challenged. A knowledge-based economy cannot continue to flourish without a public and private education system that consistently produces high-quality graduates with skills that offer the greatest potential for employment in Colorado. However, strategies are underway to address these challenges:

- In 2006, the Denver Metro Chamber of Commerce created the **Colorado Competitive Council (C3)** to focus on the public policy issues impacting growth in our top industry clusters. This privately funded organization consists of top business leaders from around the state.
- In 2006, the Metro Denver EDC was one of 13 regional economic development organizations chosen to lead a four-year, \$15 million U.S. Department of Labor grant focused on creating a "transformational, sustainable workforce development program." The **Metro Denver WIRED (Workforce Innovation in Regional Economic Development) Initiative** focuses on "filling our workforce pipeline" with qualified graduates in the aerospace, bioscience, energy, and information technology - software industry clusters.
- In 2006, the Metro Mayors Caucus, the Center for Human Nutrition at the University of Colorado Denver, and the Metro Denver EDC founded the **Metro Denver Health and Wellness Commission** to maintain and expand Metro Denver's position as "America's Healthiest Community." In 2007, the Commission completed its strategic plan focused on fighting obesity in the workplace and schools and with incentive-based public policy. Lieutenant Governor Barbara O'Brien chairs the Commission as part of her long-time commitment to improving the lives of Colorado's children.

In last year's report, we stated, "We are moving in directions that should improve Colorado's competitive position." This year, we are not certain that public sector investments in education (particularly higher education), transportation, and our citizens' health are sufficient to ensure our long-term economic competitiveness. A prosperous economy is a partnership between the private sector, government, and the philanthropic community. After analyzing seven years of data, we see trends that point to the fact that the public sector has not fulfilled its partnership role.

In next year's report, the impact of Referendum C funding will be captured in our data. It remains the responsibility of the Colorado General Assembly and the Governor's Office to meet voter intent regarding allocation of those dollars. Next year, *Toward a More Competitive Colorado* will measure and report on whether prudent and competitive investments have been made. The business community will be watching carefully.

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